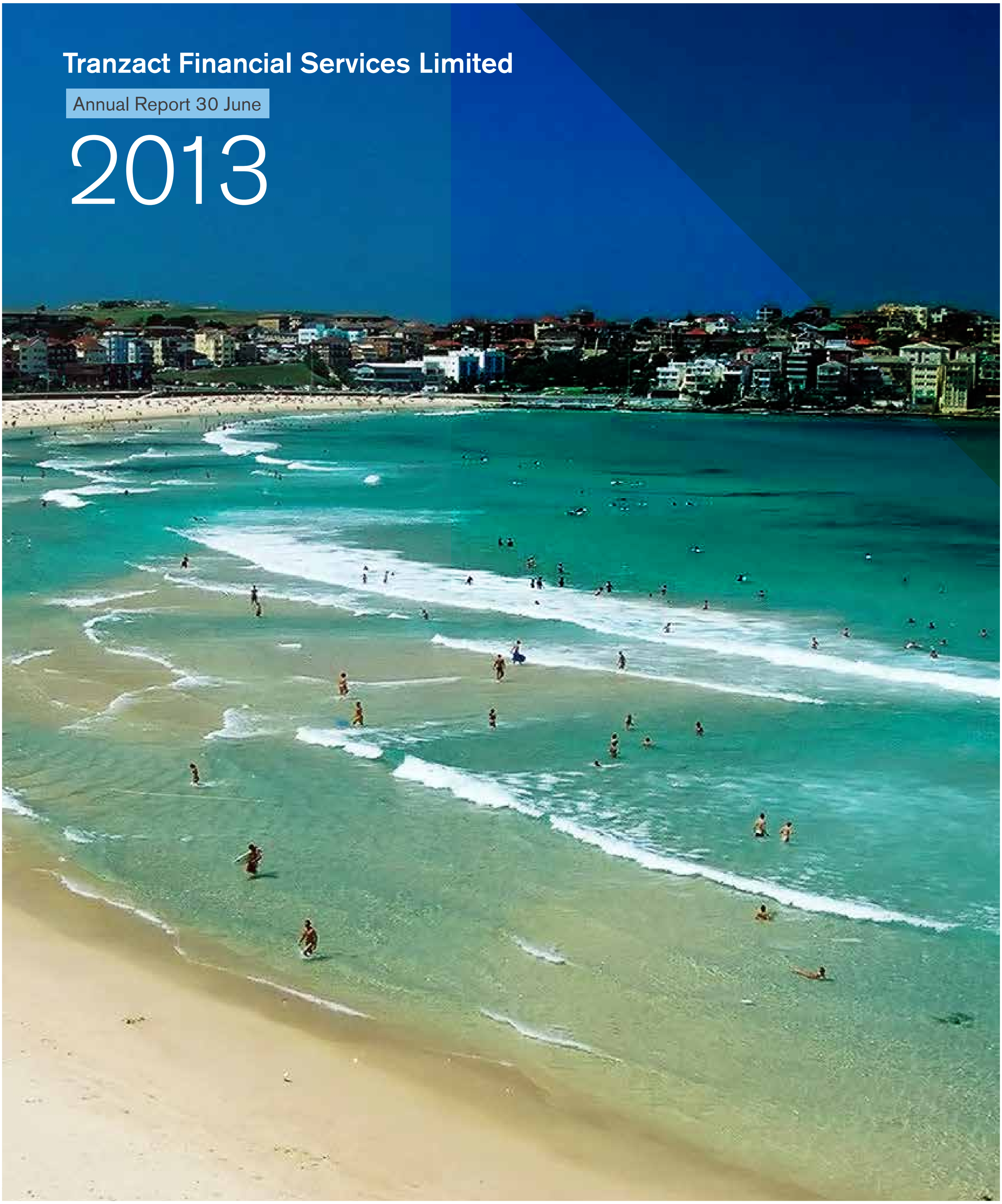
TRANZACT
FINANCIAL SERVICES LIMITED

Tranzact Financial Services Limited

Annual Report 30 June

2013



Contents

Tranzact Financial Services Limited Annual General Meeting
20 November 2013, 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 tax, depreciation and amortisation (‘EBTDA’) attributable to shareholders of $2.311 million (FY 2012: $2.649 million) for the year ended 30 June 2013. This result was achieved after a write off of project related costs of $352,000 during the year (as announced to ASX on 4 December 2012), which meant underlying EBTDA was modestly higher than last year.

The reported net profit after tax attributable to shareholders for the year fell to a loss of $0.384 million. This was a result of the project costs written off, an impairment write down on the self managed superannuation fund (‘SMSF’) business of $967,000 (see comments in point 2 below), and a reduction of $161,526 in the fair value of the Company’s investment in the service company of the Templetons business.

This disappointing profit result obscures the consistently strong cash flows that have been generated from the operating activities of the business for a number of years.

Further commentary is provided on the performance of each aspect of the business in the ‘Review of Operations’ section, but a brief outline of the significant events for the year follows:

1. **Completion of the rationalisation of the Smartsave Master Fund product**
   This initiative has been highly anticipated for a number of years and has taken a huge amount of effort from Tranzact, the Promoter and the Trustee.

   This will bring administrative efficiencies and increased investment management fees to Tranzact.

   More recently, the Board is pleased to confirm that Smartsave has also been granted a MySuper licence.

   Smartsave is now well positioned to meet the challenges in the superannuation business, despite the significant regulatory change that is shaping this part of the industry.

2. **Self Managed Superannuation Fund (‘SMSF’) business**
   The revamp of the SMSF business undertaken last year resulted in an improvement in the profitability of this business.

   However, despite this revamp, the business sustained a loss of client funds at a greater level than expected. The reduced scale of the operation has impacted the expected future profitability of the business. As a result, an impairment write down of $967,000 was made to the carrying value of goodwill.

   The Board is aware of the ongoing challenges in this business and is exploring all options for its future success.

Strategic Review

The Company has faced significant challenges in its respective business operations over the past few years, with the ever changing regulatory regime becoming an increasingly dominant factor. In response to these challenges, the Board initiated a strategic review of the business. Whilst legislative change can present opportunities, the key changes in the past few years in respect of the Australian financial planning industry in particular have imposed greater constraints on the Tranzact business. This has impacted the ability of the Company to achieve strategic growth through synergies across the group.

An outcome of the strategic review was that the Board resolved to sell the Company’s interests in the Australian and New Zealand based financial planning businesses. In this regard, Tranzact is currently pursuing an offer to sell its shares in the Templetons business, which, subject to satisfaction of conditions, is expected to complete by the end of September 2013. The independent directors of Tranzact are also pursuing discussions with the Company’s ultimate parent company, Grosvenor Financial Services Limited (‘Grosvenor’), with respect to the possible sale of Tranzact’s interest in Camelot NZ to Grosvenor. This sale would require shareholder approval and be independently valued.

In addition, the increasing capital requirements on operators of Investor Directed Portfolio Services (‘IDPS’) has made this business uneconomic at Tranzact’s current scale. As a consequence, this service will be closed.

Going forward, Tranzact’s strategic focus is on the provision of services to the superannuation market. This plays well to Tranzact’s strengths and with the Board’s assessment of where the opportunities for growth in shareholder value are greatest.

Investment Performance and Stewardship

Investment markets performed well during FY 2013, with share markets generally responding well to the on-going program of economic monetary stimulus provided by governments and Central Banks. Conversely, bond markets did not perform as well, with interest rates on longer term fixed interest securities starting to move up again, after reaching historically low levels not seen around the world for many decades.

With markets performing well, some of the Company’s portfolio risk management strategies were unrewarded.

As a result, whilst absolute returns were good, relative rankings for the latest year slipped in some areas compared to last year (as can be seen in the table below). However, the important global share sector performance was particularly pleasing and this flowed through into continued strong performance rankings for those multi-sector portfolios with higher allocations to shares.

With longer term performance relativities strongly maintained in all key sectors, Tranzact remains well placed to leverage of these results by working with Advisers to grow the newly rationalised Smartsave range of portfolios. 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 continued to assist in reducing the overall variability of returns over the year.

Sector	Last Year	Last 5 Years
Australian Fixed Interest	**0.6%**	**5.1%**
(UBSWA Composite Bond Index)	1.5%	5.8%
Morningstar Median	1.8%	5.5%
Morningstar Quartile Ranking	4	3
Australian Shares	**19.8%**	**4.8%**
(ASX 200 Merged Accumulation Index)	19.6%	1.7%
Morningstar Median	23.1%	3.5%
Morningstar Quartile Ranking	4	2
Global Shares	**28.8%**	**5.5%**
MSCI World (ex Aust) 50% Hedged Index	25.1%	3.0%
Morningstar Median	28.1%	2.1%
Morningstar Quartile Ranking	2	1
Defensive	**4.0%**	**5.0%**
Morningstar Median	5.1%	4.2%
Morningstar Quartile Ranking	3	1
Conservative	**6.6%**	**4.4%**
Morningstar Median	7.6%	4.1%
Morningstar Quartile Ranking	3	2

Sector	Last Year	Last 5 Years
Balanced	**10.8%**	**4.9%**
Morningstar Median	11.6%	3.5%
Morningstar Quartile Ranking	3	1
Growth	**16.3%**	**4.5%**
Morningstar Median	15.6%	3.5%
Morningstar Quartile Ranking	2	1
High Growth	**21.2%**	**4.2%**
Morningstar Median	19.2%	2.5%
Morningstar Quartile Ranking	1	1

Returns are to 30 June 2013 and are after tax and fees.
Index returns have also been adjusted for tax and fees.

Dividend and Capital Management

The net cash position of the Company continued to improve – being $1.450 million net cash as at 30 June 2013 versus negative $1,097 at 30 June 2012.

This improved cash position was as a result of the cash generated from operating activities combined with a reduction in the financial interests in the Camelot NZ business.

In consideration of the consistency of the underlying EBTDA and cash from operating activities over the past few years, the Board felt it was appropriate for the final and annual dividend rate to be maintained at the same level as the previous year. Accordingly, the Board was pleased to announce a final fully franked dividend of 0.45 cents per share fully franked, bringing total fully franked dividends for the year to 0.70 cents per share.

In the interest of prudent capital management, the Board implemented a Dividend Reinvestment Plan ('DRP') for the October 2012 payment. However, the continued improvement of the Company's net cash position allowed the Board to suspend the operation of the DRP for both the interim dividend in April 2013 and the October 2013 final dividend.

Following the proposed sale of Tranzact's interests in Templetons and Camelot NZ, the Company's cash position is expected to increase significantly, even after the full retirement of debt. In that event, the Board will consider strategic options for the most effective use of this cash and will advise shareholders in due course.

Summary

The outcome of the strategic review has produced significant clarity and will transform Tranzact into a smaller but more tightly focused superannuation services provider.

The completion of the rationalisation of the Smartsave Master Fund in conjunction with obtaining a MySuper licence provides a springboard for future growth in this market.

The Board is grateful to the Company's dedicated management team and staff and to the shareholders for their continuing support.


Anthony Ractliffe
Non Executive Chair
Sydney, 26 September 2013

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 2013 (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
Mr C M Malkin	Director since 31 October 2012

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 was the Chair of the New Zealand Export Credit Office and up to 31 March 2013 was 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 Managing Director 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.

Christopher Milton Malkin

AGIT, TTTC, FCA, FCPA

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

With over 40 years' experience in the Accounting and Auditing professions, Mr Malkin has specialised in superannuation since 1987 and has built up a significant audit practice in this industry sector.

He has been a Partner in a number of professional accounting practices including HLB Mann Judd and WHK Crowe Horwath Melbourne.

Mr Malkin is an Associate of the Gordon Institute of Technology in Commerce, holds a Trained Technical Teachers' Certificate, a Certificate of Financial Planning and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of CPA Australia. He is a Registered Company Auditor and a Registered SMSF Auditor.

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;
- Providing asset consulting and investment management services;
- Acting as a promoter of superannuation entities;
- Operating an Investor Directed Portfolio Service ('IDPS') and custodial services;
- Providing financial planning and insurance services; and
- Acting as an Australian Financial Services Licensee.

As noted in the Directors report, the Board has resolved to sell the Company's interests in the financial planning businesses and will close the IDPS and custodial services.

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 2013. 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 $2.311 million for the year ended 30 June 2013 ('FY2013'), compared with the $2.649 million for the same period last year.

While the reported EBTDA is down 13% on the prior corresponding period, the EBTDA result included one-off project related costs (as reported in the half year report) of $352,000. Accordingly, underlying EBTDA was $2.663 million (up 0.5% on the prior period) which reflects the strong performance of the various businesses during FY2013.

Reported net profit after tax attributable to the Company's shareholders fell to a loss of $0.384 million compared with a profit of $1.065 million in the prior corresponding period. The fall in reported net profit after tax was primarily attributed to the write off of project costs, the impact of an impairment write down of $967,000 on the intangible asset related to the self managed superannuation fund administration business and a reduction in the fair value of the investment in the service company of the Templetons business of $161,526.

Net cash flows from operations continue to be strong, increasing from $1.938 million to $2.032 million for the year.

As noted in previous years, 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 challenging financial market conditions is pleasing.

Each of the Company's business segments has contributed positively to the result. A review of the divisional performances is provided below.

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

– The Company achieved a significant milestone in the financial year, being the approval for the restructuring of the Smartsave Master Trust. Whilst the benefit of this change will be felt in future financial periods, the Board is extremely pleased to have accomplished this long pursued goal. The Board expects that the rationalisation will simplify the Smartsave product suite and deliver significant operational benefits to the division.

– Total revenue from the Master Trust division attributable to shareholders improved from $4.054 million in FY2012 to $4.387 million in this reporting period (an increase of 8.2%). The segment's EBTDA of $618,000 was down on the prior year of $830,000. However, the FY2013 performance was comparable taking into account $352,000 in project costs in the period and $112,000 in GIS Concepts earnings not recognised in the prior year when the Company's interest was 25% not 65%.

– Funds under management and administration (including the Pooled Superannuation Trust and Eligible Rollover Fund) improved from $276 million at the end of June 2012 to $290 million at the end of June 2013, reflecting strong positive investment returns in the first half of the period.

– The Company continues to focus on the implementation of a MySuper offering (in conjunction with the fund Trustee).

Partnership for Growth

- The Partnership for Growth segment has performed solidly over the period, both in Australia and New Zealand. The decrease in revenue and earnings from this sector compared with the previous year is due to the reduction in capital invested in the New Zealand arm of the business. This reduction resulted from certain of the partners in the New Zealand businesses acquiring a portion of Tranzact's investments. The net effect of those transactions was to release capital to Tranzact of approximately $2.5 million during FY2013.
- Both the New Zealand and Australian based businesses have overall achieved the expected 15% return on investment.
- Notwithstanding the overall contribution of the businesses, the Board has reviewed the carrying values of the individual investments within the Partnership for Growth business. As a result, a fair value adjustment of $161,526 was made to the service company interest in the Templetons business, in recognition of the returns achieved on this part of the business.

Self Managed Superannuation Funds

- The Self Managed Superannuation Funds ('SMSF') segment of the business continues to face challenging market conditions.
- The review of the cost structure in June 2012 was successful in maintaining the profitability of the business over the financial period to June 2013. However, the loss of client funds has been more significant than expected, due to aggressive actions by competitors and a loss of a number of key adviser relationships.
- Revenue for the period fell by 19.6%, but the cost savings achieved resulted in overall EBTDA increasing by 29.5% as compared to the previous year.
- The loss of funds has impacted the sustainable earnings of the business, which is the reason for the Board determining an impairment write down of $967,000 from the intangible asset of the SMSF business.
- The Directors recognise the ongoing challenges that this business faces and continue to explore all options for its future success.

Investor Directed Portfolio Service / Custodial Services

- The EBTDA of the Investor Directed Portfolio Service ('IDPS') / Custodial Services segments increased 9% compared with last year due to increased interest income. However fees from funds under administration declined due to competitive pressure from the superannuation wrap providers.

Dividend and Capital Management

The net cash position of the Company continues to improve – being $1.450 million net cash as at 30 June 2013 versus negative $1,907,000 at 30 June 2012. This is a function of strong operational cash flow and a reduction in the financial interest in the Partnership for Growth business.

The Directors are pleased to declare a fully franked final cash dividend of 0.45 cents per share (FY2012 0.45 cents). The Record Date for the dividend is 20 September 2013 and the dividend will be paid on 4 October 2013.

Outlook

The Directors are confident that the rationalisation of the Smartsave Master Trust will have a positive impact on the Master Trust business, including opening up new opportunities to expand that business. The Directors also expect the Partnership for Growth business to continue to achieve its targeted returns of 15%. However, in other parts of the business, such as SMSF, conditions are challenging. Accordingly, the Directors and management are in the process of undertaking a strategic review of the Company and will inform shareholders of any material developments.

Earnings per share

For the consolidated entity in respect of the FY2013 year of operation, the basic and fully diluted earnings per share was a loss of $0.003 (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

Tranzact has entered in to an agreement to sell its interest in the Templetons business subject to the satisfaction of certain conditions (such as approval of the transaction by the shareholders of the Templetons business).

The proceeds from the sale of this business of approximately $3.6 million are consistent with the carrying value of the investments in the financial statements at 30 June 2013 (which reflected a write down in the value of the investment by $161,526).

The transaction is expected to settle by the end of September 2013.

Future developments, prospects and business strategies

Following a recent strategic review of the Company, the Board has determined that its strategy is to specialise in providing superannuation services such as promotership, administration and investment management.

The recent successful completion of the rationalisation of the Smartsave Master Fund product, combined with Smartsave being granted a MySuper licence, gives the Board confidence in the growth prospects of this strategy.

Information on Directors' interests

Particulars of Directors' interests in shares, unsecured notes and options of Tranzact Financial Services Limited as at 30 June 2013 are shown in the table below.

Director	Ordinary Shares	Options
Mr W A Ractliffe (2)	2,927,999	–
Mr P L Harry AM (1)	3,213,999	–
Mr C M Malkin	–	–

Director	Ordinary Shares	Options
Mr R L Rodgers (3)	1,489,999	–
Mr A S T Yeo (4)	71,350,086	–

(1) *A company associated with P L Harry AM, Conclude Pty Ltd, holds 1,824,000. Mr Harry also holds 1,389,999 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23).*

(2) *Mr Ractliffe holds 1,538,000 shares as trustee of the Ractliffe Australian Family Trust and 1,389,999 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23).*

(3) *These holdings include 1,389,999 shares held by Mr Rodgers as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 23). A further 100,000 shares are held in his own name.*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 69,513,110 shares. In addition, Mr Yeo holds 446,977 shares as trustee of the Grosvenor Employee Share Scheme, and also holds 1,389,999 shares 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 2013, 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	10	3	3	10	10
Mr P L Harry AM	10	10	*	*	**	**
Mr R L Rodgers	10	10	3	3	10	10
Mr A S T Yeo	10	10	*	*	**	**
Mr C M Malkin	6	6	2	2	5	5

* *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.

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 2013 the Group paid a premium of $12,926 to insure the Officers of the Group.

The Officers of the Group at 30 June 2013 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
– Christopher M Malkin	Non-Executive Director

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 Audit Pty, did not perform any non-audit services during the period.

Remuneration report – audited

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 13. 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 (2012: $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

	2009	2010	2011	2012	2013
Revenue	$7,968,367	$7,831,000	$8,828,000	$9,313,000	$8,827,000
Net Profit	$1,612,140	$1,509,000	$1,633,000	$1,204,000	$(243,000)
Share Price at 30 June	$0.14/share	$0.15/share	$0.20/share	$0.12/share	$0.09/share
EBTDA attributable to shareholders	$2.030m	$2.016m	$2.666m	$2.649m	$2.311m
Dividends Paid	$0.0035/share	$0.0060/share	$0.0070/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 2013 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
Mr A S T Yeo	Managing Director
Mr C M Malkin(1)	Director – Non-Executive
Mr C Yip(2)	General Manager & Company Secretary(3)
Ms V T Luong	Administration Manager
Mr G Scott(2)	Group Chief Financial Officer, Grosvenor Financial Services

Name	Position Held
Mr D Beattie(2)	Joint Chief Executive Officer, Grosvenor Financial Services
Mr A Wilson(2)	Joint Chief Executive Officer, Grosvenor Financial Services

(1) *Appointed as Director on 31 October 2012.*

(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 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.

(3) *Mr Yip resigned as General Manager and Company Secretary of Tranzact Financial Services Ltd on 31 December 2012.*

(c) Details of Remuneration

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

2013	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 [3]	Shares [2]	Options	Total		
Name	($)	($)	($)	($)	($)	($)	($)	($)	(%)	(%)
Mr P L Harry	37,600	–	–	–				37,600	–	–
Mr W A Ractliffe	61,633	–	–	5,547	–	–	–	67,180	–	–
Mr R L Rodgers	76,459	–	–	6,881	–	–	–	83,340	–	–
Mr A S T Yeo	316,570	–	–	–	–	–	–	316,570	–	–
Mr C M Malkin	30,700	–	–	–	–	–	–	30,700	–	–
Other key management personnel										
Mr C Yip [1] [4]	–	–	–	–	–	–	–	–	–	–
Mr D Beattie [1]	–	–	–	–	–	–	–	–	–	–
Mr A Wilson [1]	–	–	–	–	–	–	–	–	–	–
Mr G Scott [1]	–	–	–	–	–	–	–	–	–	–
Ms V T Luong	90,400	10,000	–	8,676	2,267	11,333	–	122,676	9.2	8.1
Total key management personnel compensation	**613,362**	**10,000**	**–**	**21,104**	**2,267**	**11,333**	**–**	**658,066**		

(1) 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.

(2) 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.

(3) 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.

(4) Resigned 31 December 2012.

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.

(d) **Cash bonuses**

During the year, cash bonuses were approved for key management personnel. These bonuses were granted on 30 June 2013 in relation to the 2013 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 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.

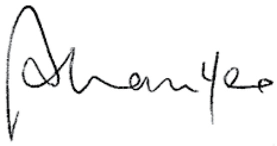
End of Audited Remuneration Report

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, 26 September 2013

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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 2013, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner - Audit & Assurance

Sydney, 26 September 2013

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 pages 4 and 5 of 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, Mr Anthony Ractliffe and Mr Christopher Malkin are all non-executive directors. In addition to being non-executive directors, Mr Phillip Harry AM, Mr Richard Rodgers and Mr Christopher Malkin 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;

Corporate Governance Report

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 by virtue of his directorship of the ultimate parent company which was relinquished on 31 March 2013) 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 notes that with the appointment of Mr Christopher Malkin the Board has a majority of independent directors. Also, 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.

Corporate Governance Report

1.3.5 Education and Induction

New directors undergo an induction process in which as appropriate they may be given a full briefing on the Group. This includes meetings with key executives, tours of the premises, an induction pack and presentations including the Group's culture and values. 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 73 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, with the next evaluation to be completed by the end of 2013.

Corporate Governance Report

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 three 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), Mr Anthony Ractliffe and Mr Christopher Malkin. All members can read and understand financial statements and are financially literate with Mr Rodgers and Mr Malkin, the Chair, being qualified accountants with experience in tax, financial and accounting matters. Details of the members' qualifications can be found on pages 4 and 5 or on the Company's website atwww.tranzact.com.au Given the substantial experience of the three members of the Audit Committee, the Board is satisfied the Audit Committee can adequately discharge its responsibilities. The Audit Committee is comprised of a majority of independent directors.

Corporate Governance Report

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 three 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

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.

For further information on remuneration policies, refer to the remuneration report on pages 11 to 15.

2.4 Nomination Committee

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.

Corporate Governance Report

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 through the diversity of their background, skills and experience to complement those of the incumbent Board members. 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.

Corporate Governance Report

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, age, 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 2013, 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 68% of the gender split within the Group;

  b. females represented 63% of the managers within the Group;

  c. females represented 33% 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: 21%

    ii. age 25 and over but under age 40: 53%

    iii. age 40 and over: 26%

  f. the ethnicity mix of the Group was:

    i. Australian: 29%

    ii. New Zealander: 0%

    iii. Chinese: 25%

    iv. Other: 46%

(2) Ensure there is a commitment to a corporate culture supportive of diversity by recognising employees have personal responsibilities.

  - A review of the working arrangements in place for staff currently has confirmed that flexible working hours are accommodated where suitable for both the employee and the Company.

(3) Ensure there is a commitment to diversity by providing learning opportunities to employees.

  - All staff are encouraged to undertake continuing professional development through relevant industry or professional bodies. A recent review has confirmed that the majority of staff are currently actively engaged in structured professional development appropriate to their role.

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

Financial Statements

TRANZACT
FINANCIAL SERVICES LIMITED

Statement of Profit or Loss and other Comprehensive Income
for the year ended 30 June 2013

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue	2	8,827	9,313
Other income	2	31	110
		8,858	9,423
Less: Expenses			
Service expenses		1,398	1,472
Occupancy costs	3	365	419
Administration expenses		1,169	930
Employee benefits expense	3	2,872	3,206
Amortisation and depreciation expenses	3	1,558	1,425
Impairment	3	1,129	–
Financing costs	3	135	244
Share of net loss/(profit) after tax of associates		9	(30)
		8,635	**7,666**
Profit before Income Tax Expense		**223**	**1,757**
Income tax expense	4	466	553
(Loss)/profit for the year		**(243)**	**1,204**
Other Comprehensive Income		–	–
Total Comprehensive Income for the year		**(243)**	**1,204**
Profit/(loss) for the year is attributable to:			
Owners of the company		(384)	1,065
Non-controlling interests		141	139
		(243)	**1,204**
Total Comprehensive (loss) Income for the year is attributable to:			
Owners of the company		(384)	1,065
Non-controlling interests		141	139
		(243)	**1,204**

	Note	Consolidated 2013 $	Consolidated 2012 $
Earnings per Share			
Basic earnings per share	5	(0.003)	0.0095
Diluted earnings per share	5	(0.003)	0.0095
Dividends per share	24	0.0070	0.0070

The above Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2013

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Current Assets			
Cash & cash equivalents	7	2,840	1,979
Trade & other receivables	8	871	2,181
Prepayments	9	358	237
Derivative financial instruments	10	–	29
Total Current Assets		**4,069**	**4,426**
Non-Current Assets			
Property, plant and equipment	11	367	453
Financial assets	12	3,682	4,283
Investments accounted for using the equity method	13	184	330
Intangible assets	14	14,637	16,409
Deferred tax assets	15	90	119
Total Non-Current Assets		**18,960**	**21,594**
Total Assets		**23,029**	**26,020**
Current Liabilities			
Interest bearing liabilities	16	98	1,470
Trade & other payables	17	1,059	1,356
Derivative financial instruments	10	109	–
Current tax liabilities		189	201
Total Current Liabilities		**1,455**	**3,027**
Non-Current Liabilities			
Provisions	18	158	122
Interest bearing liabilities	16	1,292	1,606
Deferred Tax Liabilities	20	1,659	1,937
Total Non-Current Liabilities		**3,109**	**3,665**
Total Liabilities		**4,564**	**6,692**
Net Assets		**18,465**	**19,328**
Equity			
Issued capital	21	20,133	19,635
Accumulated losses		(4,311)	(3,082)
Reserves	22	87	40
Capital and Reserves attributable to owners of the Company		**15,909**	**16,593**
Non-controlling Interests		**2,556**	**2,735**
Total Equity		**18,465**	**19,328**

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 2013

Tranzact Financial Services Limited
ABN 84 089 997 731

Consolidated	Issued Capital $'000	Other Reserve $'000	Accumulated Losses $'000	Total $'000	Non-controlling interest $'000	Total Equity $'000
As at 30 June 2011	**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**
Retained earning adjustment relating to prior year	–	–	(77)	(77)	–	(77)
(Loss)/profit for year	–	–	(384)	(384)	141	(243)
Total comprehensive (loss)/income for the year	–	–	(461)	(461)	141	(320)
Transactions with owners in their capacity as owners						
Shares issued – dividend reinvestment plan	498	–	–	498	–	498
Capital call in non-controlled entity	–	–	–	–	36	36
Transfer to share based payment reserve	–	87	–	87	49	136
Transfer to accumulated losses	–	(40)	40	–	–	–
Dividends paid – Tranzact Financial Services	–	–	(785)	(785)	–	(785)
Dividends paid – non-controlling interests	–	–	–	–	(428)	(428)
Transactions with non-controlling interests	–	–	(23)	(23)	23	–
As at 30 June 2013	**20,133**	**87**	**(4,311)**	**15,909**	**2,556**	**18,465**

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 2013

Tranzact Financial Services Limited
ABN 84 089 997 731

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash Flows from Operating Activities			
Receipts from customers		8,808	9,015
Payments to suppliers and employees		(6,527)	(6,700)
Distributions and interest received		831	883
Interest and other finance costs paid		(135)	(244)
Income taxes paid		(945)	(1,016)
Net cash inflow from operating activities	31	**2,032**	**1,938**
Cash Flows from Investing Activities			
Payments for property, plant & equipment		(44)	(92)
Equity accounted dividend received		–	67
Net loans/advances (to)/from adviser practices		2,000	404
Net loans/advances (to)/from related parties		11	150
Payments for the acquisition of controlled entities, net of cash acquired		–	(1,412)
Payments for acquisition of intangible assets		(735)	–
Proceeds from the disposal of investments		169	617
Payments for purchases of available for sale investments		(206)	(658)
Payments for acquisition of licenses		–	(216)
Net cash (outflow) from investing activities		**1,195**	**(1,140)**
Cash Flows from Financing Activities			
Proceeds from share issues – Underwriting of dividend reinvestment plan		149	–
Proceeds from share issues – Subsidiaries to non-controlling interests		36	–
Payments for shares repurchased		–	(139)
Proceeds from borrowings		741	2,350
Repayment of borrowings		(2,427)	(650)
Dividends paid		(865)	(1,191)
Net cash (outflow)/inflow from financing activities		**(2,366)**	**370**
Net (increase) in cash held		**861**	**1,168**
Cash at the beginning of the financial year		**1,979**	**811**
Cash at the end of the financial year	7	**2,840**	**1,979**

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 2013

1. Statement of Significant Accounting Policies

Corporate Information

These 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 2013 were authorised for issue in accordance with a resolution of the directors on 26 September 2013 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 32.

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.

For the purpose of preparation of the financial statements Tranzact are a for profit entity.

Basis of Preparation

(a) Statement of Compliance

The financial statements comply with the International Financial Repoorting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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 expected 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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

(f) Share-based Payments

The Group operates equity-settled share-based payment employee share 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 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 32, 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.

(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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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 Directors have certified 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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

(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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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 2013 *(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 2013. 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 2013 *(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 or fair value less costs to sell where applicable. 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, unless the assessed fair value is lower than cost, in which case, the fair value is applied.

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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

2. Revenue

	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue		
Rendering of services	6,225	6,493
Commission income	1,128	1,139
Bank interest	68	76
Distributions from financial interests in the Camelot Partnership	595	762
Financial Planning and insurance income	801	837
Dividends received	10	6
	8,827	**9,313**
Other Income		
Foreign exchange (losses)	(176)	(310)
Unrealised foreign exchange gains	207	420
Total Other Income	**31**	**110**

3. Profit before Income Tax

Profit before Income Tax includes the following specific expenses.

	Consolidated 2013 $'000	Consolidated 2012 $'000
Occupancy Costs		
Net rental expenses relating to operating leases	290	320
Other occupancy costs	75	99
	365	419
Employee Benefits Expenses		
Salary & wages	2,253	2,362
Superannuation contributions	184	207
Other employee benefits expense	435	637
	2,872	3,206
Amortisation, Depreciation and Impairment Expenses		
Depreciation – property, plant and equipment	130	152
Amortisation of intangible assets – administration contracts	264	284
Amortisation of intangible assets – licences	26	26
Amortisation of intangible assets – promotor agreements	23	47
Amortisation of intangible assets – Camelot Financial Services Pty Ltd	521	520
Amortisation of intangible assets – Group Insurance & Superannuation Concepts Pty Ltd	594	396
Impairment of intangible asset	967	–
Impairment of investment in associate	162	–
	2,687	1,425
Financing Costs		
Interest on borrowings	92	152
Other borrowing costs	43	92
	135	244

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

4. Income Tax

(a) Income tax expense:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current tax	819	778
Deferred tax	(353)	(184)
Recoupment of prior year tax losses	–	(40)
Utilisation of capital losses	–	(1)
Total income tax expense in profit or loss	466	553

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

Profit/(Loss) before Income Tax	223	1,757
Prima facie tax payable at 30%	67	527
Tax effect of differences:		
Non allowable deductions	399	79
Tax effect of share of net profit of associates	3	(9)
Tax effect of fully franked dividends	(3)	(2)
Recoupment of prior year tax losses previously not recognised	–	(42)
Income tax expense	466	553

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 income tax losses as at 30 June 2013 amounted to $nil (2012:$nil).

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

5. Earnings Per Share

	Consolidated 2013 $'000	Consolidated 2012 $'000
Earnings used in the calculation of basic earnings per share	(384)	1,065
	No.	No.
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	113,849,003	110,877,655
Weighted number of ordinary shares outstanding during the year used in calculating diluted earnings per share	113,849,003	110,877,655
Instruments that could potentially dilute earnings per share but were not included because they were anti-dilutive	–	27,953,049

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

A Dividend Reinvestment Plan was implemented for the October 2012 dividend and resulted in the issue of an additional 4,520,658 ordinary shares.

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 provide 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 24.4% (2012: 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.

These reportable segments are the same as those reported in the previous financial statements for the year ended 30 June 2012.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

6. Segment Information *(continued)*

Segment Information

Segment information provided to the executive management committee and the Board for the year ended 30 June 2013 is as follows:

Operating Segments

	Super Fund(1) $'000	**SMSF (2) $'000	IDPS(3) $'000	PFG (4) $'000	Head Office $'000	Total $'000
2013 Financial Year						
Segment Revenue						
External revenues	4,850	2,478	154	1,345	–	8,827
Share of (loss) of associated entities before tax	–	–	–	(9)	–	(9)
Less non-controlling interests share of revenue	(463)	–	–	(256)	–	(719)
External revenues attributable to owners of the Company	4,387	2,478	154	1,080	–	8,099
Finance Costs	135	–	–	–	–	135
Segment Result before depreciation, amortisation, tax and including before tax share of profit from equity accounted investees	971	716	145	1,401	(324)	2,909
Less non-controlling interests share of profit	(353)	–	–	(245)	–	(598)
Segment Result (EBDTA) attributable to owners of the Company	**618**	**716**	**145**	**1,156**	**(324)**	**2,311**
Impairment	–	(967)	–	(162)	–	(1,129)
Depreciation and amortisation expense	(715)	(308)	(14)	(521)	–	(1,558)
Plus non-controlling interests share of depreciation, amortisation and tax						458
Group taxation expense						(466)
Taxation on share of profit of equity accounted investees						–
Total comprehensive income attributable to owners of the Company						**(384)**

	Super Fund(1) $'000	**SMSF (2) $'000	IDPS(3) $'000	PFG (4) $'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	–	–	–	(294)	–	(294)
External revenues attributable to owners of the Company	4,054	3,081	161	1,400	–	8,696
Finance Costs	244	–	–	–	–	244
Segment Result before depreciation, amortisation, tax and including before tax share of profit from equity accounted investees	1,122	553	133	1,627	(240)	3,195
Less non-controlling interests share of profit	(292)	–	–	(254)	–	(546)
Segment Result (EBDTA) attributable to owners of the Company	**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**

(1) *Superannuation fund administration, asset consulting and sponsorship*
(2) *Self managed superannuation fund administration*
(3) *IDPS and custodial services*
(1) *Partnership for Growth. The EBTDA for this segment may exceed the revenue due to foreign exchange gains.*

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 interests.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

6. Segment Information *(continued)*

Geographical Segments

	Segment Revenues from External Customers	
	2013 $'000	**2012 $'000**
Geographical Location:		
Australia	8,232	8,442
New Zealand	595	871
	8,827	9,313

7. Current Assets – Cash & Cash Equivalents

	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash at Bank	2,497	1,890
Cash on Deposit	343	89
	2,840	1,979

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 29.

8. Current Assets – Trade and Other Receivables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Trade receivables	654	1,571
Less: allowance for doubtful debts	–	–
	654	1,571
Other receivables	72	275
Accrued revenue	145	335
	871	2,181

Age analysis of trade receivables at the reporting date:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Total amounts not past due	616	1,459
Total amounts over 30 days past due	4	16
Total amounts over 60 days past due	5	7
Total amounts over 90 days past due	29	89
	654	1,571
Total amounts impaired	–	–
Total amounts not impaired	**654**	**1,571**

Analysis of Allowance Account:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Opening Balance	–	13
Receivables written off during the year	–	(13)
Closing balance	**–**	**–**

Note: The trade receivables at 30 June 2013 included $61,484 related to a reduction in the interests in the Partnership for Growth model.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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 2013, trade receivables over 30 days past due amounted to $37,556. 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 29.

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 29 for more information on the risk management policy of the Group and the credit quality of its trade receivables.

9. Current Assets – Prepayments

	Consolidated 2013 $'000	Consolidated 2012 $'000
Prepayments	358	237

10. Derivative Financial Instruments

Current Asset/Current Liability	Consolidated 2013 $'000	Consolidated 2012 $'000
Foreign exchange contracts – held for trading		
Current assets	–	29
Current liabilities	(109)	–
	(109)	29

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 $4,190,799 in New Zealand dollar loans have been granted plus an amount of NZ$72,857 was receivable at 30 June 2013 relating to a reduction in the loan, giving a total exposure of NZ$4,263,656 (2012: NZ$6,601,804). 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 NZ$4,237,869 (2012: NZ$6,600,000) 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 29).

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	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Maturity				
0 – 3 months	–	–	–	–
3 – 6 months	1,396	2,368	0.7998	0.7895
6 – 12 months	2,067	2,858	0.8293	0.7938

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 ($108,958) (2012: $29,188), being the decrease (2012: increase) in fair value during the year ended 30 June 2013.

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

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Plant & equipment at cost	1,251	1,208
Less accumulated depreciation	(908)	(787)
	343	421
Motor vehicle at cost	68	68
Less accumulated depreciation	(44)	(36)
	24	32
Total	**367**	**453**

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:

2013	Plant & Equipment $'000	Motor Vehicle $'000	Total $'000
Consolidated Entity			
Carrying amount as at 30 June 2012	421	32	453
Additions	44	–	44
Disposals	–	–	–
Depreciation charge	(122)	(8)	(130)
Carrying amount as at 30 June 2013	343	24	367

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

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

12. Non-Current – Other Financial Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Available for Sale Assets	3,682	4,283
Total	**3,682**	**4,283**

Available for sale assets comprise of:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Shares in unlisted entities		
Gold Financial Pty Ltd	66	66
Other investments		
Financial interests in Partnership for Growth (1) – at cost	3,537	4,174
Shares in listed entities at fair value	79	43
Total	**3,682**	**4,283**

(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.*

There are no indications of impairment and these investments are held at cost in terms of the Statement of Significant Accounting Policies (Note 1). Subsequent to balance date, the Board commenced discussions with the Company's ultimate parent company, Grosvenor Financial Services Group Limited, with respect to the possible sale of the company's financial interests in the partnership for growth. There was no intention to dispose of any unlisted available-for-sale financial assets owned at 30 June 2013.

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Shares in associated entities (1)	184	330
Total	**184**	**330**

Investments in Associates

(a) Movements in carrying amounts

	Consolidated 2013 $'000	Consolidated 2012 $'000
Carrying amount at the beginning of the financial year	330	1,618
Share of (loss)/profit after income tax	(9)	30
Dividends received	–	(57)
Acquisitions	25	–
Impairment	(162)	–
Reclassification from associate	–	(1,261)
Carrying amount at the end of the financial year	**184**	**330**

(1) *The investment at 30 June 2013 is an investment in Templetons Administrative Services Pty Ltd. The fair value of this investment was calculated to be $184,000 at 30 June 2013. Consequently an impairment loss of $161,526 was recognised in the Statement of Profit or Loss and other Comprehensive Income for the period.*

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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	(Loss)/ Profit $'000
2013					
Templetons Administrative Services Pty Ltd	24	213	122	477	(9)
	24	213	122	477	(9)
2012					
Group Insurance & Superannuation Concepts Pty Ltd	65	–	–	124	49
Templetons Administrative Services Pty Ltd	33	227	146	617	(19)
		227	146	741	30

The above associates are incorporated in Australia.

14. Non-Current Assets – Intangible Assets

	Consolidated 2013 $'000	Consolidated 2012 $'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	(140)	(117)
	–	23
Administration agreements at cost		
(Finite useful lives)	2,428	2,428
Less accumulated amortisation	(1,161)	(897)
	1,267	1,531
Goodwill on acquisition	6,796	6,603
Less accumulated impairment losses	(967)	–
	5,829	6,603
Licences, trade marks and other items at cost	260	476
Less accumulated amortisation	(186)	(160)
	74	316
Software & website development at cost	631	339
Less accumulated amortisation	(331)	(339)
	300	–
Client contracts and relationships	7,395	7,050
Less accumulated amortisation	(2,323)	(1,209)
	5,072	5,841
Total Intangible Assets	**14,637**	**16,409**

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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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:

2013 Consolidated Entity	Promoter Agreements $'000	Administration Agreements $'000	Goodwill $'000	Licences[1] $'000	Software[2] $'000	Client Relationships	Total $'000
Carrying amount as at 30 June 2012	2,118	1,531	6,603	315	–	5,842	16,409
Additions	–	–	193	–	300	344	837
Disposals	–	–	–	(215)	–	–	(215)
Amortisation charge	(23)	(284)	–	(26)	–	(1,114)	(1,427)
Impairment	–	–	(967)	–	–	–	(967)
Carrying Amount as at 30 June 2013	2,095	1,267	5,829	74	300	5,072	14,637

2012 Consolidated Entity	Promoter Agreements $'000	Administration Agreements $'000	Goodwill $'000	Licences[1] $'000	Software[2] $'000	Client Relationships	Total $'000
Carrying amount as at 30 June 2011	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

(1) *Licences, Trade Marks and Other Items*
(2) *Software & Website Development*

Material Intangible Assets	2013 $'000	2012 $'000
Smartsave 'Member's Choice' Superannuation Plan Promotership Rights		
Carrying Amount:	2,095	2,095
Type: Indefinite Useful Life		
Smartsave 'Member's Choice' Superannuation Plan Administration Agreement		
Carrying Amount:	802	891
Type: Finite Useful Life with a remaining useful life of 9 years at 30 June 2013		
Client Contracts & Relationships – Camelot Financial Services Pty Ltd		
Carrying Amount:	1,906	2,083
Type: Finite Useful Life with a remaining useful life of 3 years at 30 June 2013		
Client Contracts & Relationships – GIS Concepts Ltd		
Carrying Amount:	3,166	3,760
Type: Finite Useful Life with a remaining useful life of 5 years at 30 June 2013		
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:	5,829	6,602
Type: Indefinite Useful Life		
Administration Contracts – Total Super Pty Ltd and Australian Superannuation Consultants Pty Ltd.	465	620
Type: Finite Useful Life with a remaining useful life of 3 years at 30 June 2013		

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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

2013 **Consolidated Entity**	**Goodwill $'000**	**Intangibles with Indefinite Useful Lives $'000**	**Intangibles with Finite Useful Lives $'000**	**Licences Trade Marks and Others $'000**	**Software $'000**	**Total $'000**
Smartsave 'Member's Choice' Superannuation Master Plan	–	2,095	802	4	300	3,201
Self Managed Superannuation Funds	1,687	–	465	33	–	2,185
CGU's with Client Contracts & Relationship Intangible Assets	4,142	–	5,072	–	–	9,214
Other	–	–	–	37	–	37
	5,829	2,095	6,339	74	300	14,637

2012 **Consolidated Entity**	**Goodwill $'000**	**Intangibles with Indefinite Useful Lives $'000**	**Intangibles with Finite Useful Lives $'000**	**Licences Trade Marks and Others $'000**	**Software $'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
CGU's with Client Contracts & Relationship Intangible Assets	3,948	–	5,842	–	–	9,790
Other	–	–	–	261	–	261
	6,603	2,095	7,411	300	–	16,409

The recoverable amounts of the cash-generating units (CGU's) are based on the calculation of the present value of cash flow projections and include the determination of a terminal value after a five year period.

The cash flow projections are based on the following year's approved budget and extrapolated for a further four years with a growth factor of 2.5% (2012: 2.5%) for the Smartsave 'Member's Choice' Superannuation Master Plan, 4% growth for Group Insurance and Superannuation Concepts Limited (2012: nil), and no growth rate factored in for the remaining CGU's. The intangible assets for the Super Eligible Rollover Fund were fully amortised during the period.

Testing for impairment of the goodwill and intangible assets relating to the Self Managed Superannuation Funds CGU indicated that the carrying value at 30 June 2013 was overvalued by $967,000, and it was consequently written down by that amount.

The goodwill and intangible assets with finite useful lives recognised by Camelot Financial Services Limited amounting to $4,901,619 were assessed on fair value less costs to sell, not through value in use, and therefore no discounted cash flow analysis has been completed for this CGU.

In 2012, the cash flow projections were based on value-in-use calculations over five years for the Smartsave 'Member's Choice' Superannuation Master Plan and twenty years for Self Managed Superannuation Funds and Client Contacts and Relationships CGU's.

The cash flows are discounted at a pre-tax rate of 15% (2012: 15%). In performing the calculations for each CGU, the group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed here.

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	**GISC [(1)] Client Contracts & Relationships**	**SMSF[(2)]**
Internal rates of return 2013	27%	22%	15%

[(1)] Group Insurance and Superannuation Concepts Pty Ltd.
[(2)] Self managed superannuation fund administration.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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

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	GISC[1] Client Contracts & Relationships	SMSF[2] $'000
Discount rate			
+ 1%	(322)	(234)	(74)
– 1%	343	251	80
Estimated Revenue Growth rate			
+ 1%	706	184	52
– 1%	(687)	(179)	(51)

[1] *Group Insurance and Superannuation Concepts Pty Ltd*

[2] *Self managed superannuation fund administration*

Impact of possible changes in key assumptions

If the discount rate used in the value in use calculations of the SMSF CGU were to increase by 1% then this would result in a further impairment of goodwill of $74,000. If growth rates were to reduce by 1% then this would result in an additional impairment of goodwill of $51,000.

For the other CGU's the sensitivities applied would not result in an impairment charge needing to be recognised.

15. Non-Current Assets – Deferred Tax Assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Deferred Tax Asset	90	119
Deferred tax asset comprises temporary differences attributable to:		
Employee Benefits	84	84
Accruals	41	104
Interest Receivable	(35)	(69)
	90	119
Reconciliations		
Gross Movements		
Opening Balance	119	215
Charge to income statement	(29)	(96)
Closing Balance	90	119

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

Employee Benefits		
Opening Balance	84	82
Credit to income statement	–	2
Closing Balance	84	84
Accruals		
Opening Balance	104	216
(Charge)/credit to income statement	(63)	(112)
Closing Balance	41	104
Interest Receivable		
Opening Balance	(69)	(55)
Credit to income statement	34	(14)
Closing Balance	(35)	(69)

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

16. Interest Bearing Liabilities

	Consolidated 2013 $'000	Consolidated 2012 $'000
Short Term (1)		
Commercial Bill (1)	98	1,470
	98	1,470
Long Term (2)		
Commercial Bill (1)	1,292	1,606
Total	1,292	1,606

(1) The 30 June 2013 balance represents the drawings on a commercial bill variable interest rate facility of $5,000,000 provided by St George Bank, a division of Westpac Banking Corporation (2012: $8,000,000). This is made up of a three year working capital facility of $3,000,000 and a $2,000,000 acquisition facility with an expiry date of 1 April 2016.

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 loan ranged from 3.86% to 5.01% during the year ended 2013 (2012: from 4.97% to 6.50%).

(2) 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 1 April 2016 and therefore some of 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 2013 $490,000 of the borrowing was against the acquisition facility.

In addition, it is a requirement of the acquisition facility that following a drawdown, repayment of 5% of the balance is required per quarter. Consequently $98,000 of the loan has been classified as current.

17. Trade & Other Payables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Short Term		
Trade Creditors	210	278
Other Payables and Accruals (1)	849	1,078
	1,059	1,356

(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 2013 $'000	Consolidated 2012 $'000
Long Term		
Employee Entitlements – Long Service Leave	98	82
Restoration Costs	60	40
	158	122

(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 2012	40	40
Increase in provision	20	–
Carrying amount at the end of the year – 30 June 2013	60	40

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

19. Share-Based Payments

TFS Group Employee Bonus and Share Scheme

The Company operates the TFS Group Employee Bonus and Share Scheme under which the Trustees of the Scheme may be issued with 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	Options Number
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	1,569,445	412,709
Vested shares transferred to employees during the year	(179,446)	–
Options expired without being exercised	–	(412,709)
Balance at 30 June 2013[1]	1,389,999	–

[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: 554,444 on 1 July 2013, 141,666 on 1 July 2014, 100,000 on 19 November 2014 and 593,889 not yet allocated.*

The amount recognised in Employee Benefits as an expense in relation to the Employee Bonus and Share Scheme for the year ended 30 June 2013 was $28,799 (2012: $68,745).

Camelot Financial Services Limited Share Incentive Scheme

Camelot Financial Services Pty Limited operates an incentive scheme for certain advisers. On achievement of specified performance targets, the relevant advisers are granted shares subject to the satisfaction of certain conditions, primarily that they remain as advisers three years after the date the shares were granted. The shares are not issued, and therefore do not confer any voting rights or dividends, until all vesting conditions have been satisfied.

Details of shares granted are as follows:

	Shares Number	Amount Expensed $'000
Balance at 30 June 2011	99,023	7
Shares granted during the year	142,981	47
Balance at 30 June 2012	242,004	54
Shares granted during the year	55,163	82
Balance at 30 June 2013	297,167	136

The amounts expensed are credited to Other Reserves in the Statement of Financial Position and total $136,079 since inception.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

20. Deferred Tax Liabilities

	Consolidated 2013 $'000	Consolidated 2012 $'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	1,659	1,937
Total deferred tax liabilities	1,659	1,937
To be settled within 12 months	386	245
To be settled after more than 12 months	1,273	1,692

Movements in deferred tax liabilities

2013	Opening balance at 1 July 2012	Charged/ (credited) to income	Amounts recognised on acquisition of controlled entity	Closing balance at 30 June 2013
Consolidated Entity				
Amounts recognised directly in equity				
Fair value adjustments on acquisition – intangible assets with definite useful lives	1,937	(381)	103	1,659
Total	**1,937**	**(381)**	**103**	**1,659**

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

21. Issued Capital

	2013 Shares	2013 $'000	2012 Shares	2012 $'000
Consolidated				
Share capital				
Ordinary shares – no par value	115,025,613	20,133	110,504,955	19,635
Fully paid	115,025,613	20,133	110,504,955	19,635

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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

21. Issued Capital *(continued)*

Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2011	Balance	111,250,355	19,775
July 2011 to October 2011	Shares repurchased[1]	(745,400)	(140)
30 June 2012	Balance	110,504,955	19,635
October 2012	Shares issued[2]	4,520,658	498
30 June 2013		115,025,613	20,133

[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.

[2] 4,520,658 shares were issued under the dividend reinvestment plan introduced for the dividend payment of 8 October 2012.

Options	Parent 2013 No.	Parent 2013 $	Parent 2012 No.	Parent 2012 $
(i) Listed Options				
Listed Options				
At the beginning of the reporting period	27,953,049	–	27,953,049	–
Expired during the period	(27,953,049)	–	–	–
At reporting date	–	–	27,953,049	–

On 31 October 2012 all the options expired without being exercised.

22. Reserves

Other Reserve

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

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

23. Key Management Personnel Disclosures

(a) Key management personnel compensation

	Consolidated 2013 $	Consolidated 2012 $
Short-term employee benefits	623,362	728,233
Post-employment benefits	21,104	34,683
Other long-term benefits	2,267	8,385
Share-based payments	11,333	26,400
Total	**658,066**	**797,701**

Total remuneration to key management personnel was lower in 2013 compared with the prior year. This is due to the resignation of two senior staff members with the replacements not considered to be key management personnel.

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report on pages 11 to 15 of this Annual Report.

(b) Equity Instruments

(i) Options and Rights Holdings

The options listed below related 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 was exercisable at $0.25 at any time before 31 October 2012.

On 31 October 2012 all the options below expired without being exercised.

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

2013 Name	Balance at 01 July 12	Granted as compensation	Options Expired	Balance at 30 June 13	Total Vested at 30 June 13	Total vested and exercisable at 30 June 13
Mr P L Harry AM	868,709	–	868,709	–	–	–
Mr W A Ractliffe	17,235,932	–	17,235,932	–	–	–
Mr R L Rodgers	437,709	–	437,709	–	–	–
Mr A S T Yeo	16,851,432	–	16,851,432	–	–	–
Mr C M Malkin	–	–	–	–	–	–
Ms V T Luong	27,250	–	27,250	–	–	–
Mr G Scott	41,288	–	41,288	–	–	–
Mr D Beattie	38,075	–	38,075	–	–	–
Mr A Wilson	220,075	–	220,075	–	–	–

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

23. Key Management Personnel Disclosures *(continued)*

(b) Equity Instruments *(continued)*

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

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.*

(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:

2013 Name	Balance at 1 July 2012	Granted as compensation	Other changes (1)	Balance at 30 June 13	Balance held nominally(7)
Mr P L Harry AM (2)	3,393,445	–	(179,446)	3,213,999	1,389,999
Mr W A Ractliffe (5)	70,335,576	–	(67,407,577)	2,927,999	1,389,999
Mr R L Rodgers (3)	1,669,445	–	(179,446)	1,489,999	1,389,999
Mr A S T Yeo (4)	68,797,576	–	2,552,510	71,350,086	1,836,976
Mr C M Malkin	–	–	–	–	–
Mr G Scott (6)	165,150	–	6,755	171,905	–
Mr D Beattie (6)	152,300	–	–	152,300	–
Mr A Wilson (6)	880,300	–	36,012	916,312	–
Ms V T Luong	415,667	–	(113,889)	301,778	–

(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 1,389,999 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(3) *Mr Rodgers holds 1,389,999 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19) plus a further 100,000 in his own name.*

(4) *A company associated with Mr Yeo, Gro-Aust Holdings Ltd, holds 69,513,110 shares. In addition, Mr Yeo holds 446,977 shares as trustee of the Grosvenor Employee Share Scheme and also holds 1,389,999 as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(5) *Mr Ractliffe holds 1,538,000 shares as trustee of the Ractliffe Australian Family Trust and 1,389,999 shares as trustee of the TFS Group Employee Bonus and Share Scheme (refer Note 19).*

(6) *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.*

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

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

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.

2012 Name	Balance at 1 July 2011	Granted as compensation	Other changes (1)	Balance at 30 June 12	Balance held nominally(8)
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 19) 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) *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.*

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

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

(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: $5,600 (2012: $5,600).

For part of the year (up to 31 March 2013) Mr W A Ractliffe was also a director 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 2013:

Ordinary Shares	Consolidated 2013 $'000	Consolidated 2012 $'000
Interim dividend for year ended 30 June 2013 of 0.25 cents per share (2012: 0.25 cents) per fully paid share paid on 5 April 2013 (2012: 5 April 2012)	288	276
Final dividend for year ended 30 June 2012 of 0.45 cents per share (2011: 0.45 cents) per fully paid share paid on 5 October 2012 (2011: 7 October 2011)	497	498
Total dividends paid	785	774

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

24. Dividends *(continued)*

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 (2012: 0.45 cents). The aggregate amount of the proposed dividend expected to be paid on 4 October 2013, but not recognised as a liability at year end, is $517,615 (2012: $497,272).

Franking Credits	Consolidated 2013 $'000	Consolidated 2012 $'000
Franking credits available for subsequent financial years at a tax rate of 30%	537	210
Franking credits from the receipt of dividends	331	281
Franking credits attached to dividends paid	(336)	(332)
Franking credits attached to income tax paid	421	378
Franking credits relating to income tax payable at year end	44	77
The amount of franking credits available for future reporting periods	1,074	614

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 $221,835 (2012: $213,117). Income tax totalling $47,404 was paid to the Australian Taxation Office on 17 July 2013.

25. Related Parties

Directors and other Key Management Personnel

Disclosures relating to Directors and other key management personnel 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 2013 (2012: 70%) of Gro-Aust Holdings Limited which owns 60.43% of the ordinary shares in Tranzact Financial Services Limited at 30 June 2013 (2012: 60.43%).

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 2013 and 30 June 2012 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 2013 $'000	Parent Entity 2012 $'000
Transactions with entities in the Group:		
Management fees received by Tranzact Financial Services Limited	3,398	3,427
Interest on loans from subsidiaries to Tranzact Financial Services Limited	171	170
Interest on loans from Tranzact Financial Services Limited to subsidiaries	144	175
Payments by subsidiaries to Tranzact Financial Services Limited for the allocation of income tax expenses	171	177
Loans advanced and repaid:		
Amount of loans advanced from subsidiaries to Tranzact Financial Services Limited	2,366	300
Amount of loans repaid by Tranzact Financial Services Limited	790	14
Amount of loans advanced by Tranzact Financial Services Limited to associates	–	50
Amount of loans repaid by associates	10	150
Outstanding balances between entities in the Group at balance date:		
Current receivables	–	–
Loans from subsidiaries to Tranzact Financial Services Limited	4,999	3,423
Loans to subsidiaries by Tranzact Financial Services Limited	3,554	3,324
Loans to associates by Tranzact Financial Services Limited	70	80

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

25. Related Parties *(continued)*

Ultimate Parent and associated companies	**Consolidated 2013 $'000**	**Consolidated 2012 $'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')	706	617
Other expenses reimbursed to GFSG	295	214
Consulting fee charged by Tranzact to GFSG	84	108
Outstanding balances between the Group and the ultimate parent and its associated companies at balance date:		
Other Payables	34	7

The Grosvenor Financial Services Group Limited (New Zealand), of which Mr Yeo is a director, 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 2013 (2012: 70%).

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 2013 of 4.7% (2012: 5.3%).

Amounts 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 2013 $	**Consolidated 2012 $**
Audit & assurance fees – Grant Thornton Audit Pty Ltd	128,025	91,500
Audit & assurance fees – Other auditors	415	34,500
Other services – Grant Thornton New Zealand Audit Parnership	14,036	28,691
	142,476	154,691

Other services fees paid relate to internal controls reviews.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

27. Commitments For Expenditure

(a) Operating Leases

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
Not later than one year	359	344
Later than one year but not later than five years	455	537
Later than five years	–	–
Commitments not recognised in the financial statements	814	881

The commitments are:

- a property lease in Sydney which is non-cancellable. It has a two-year term expiring on 31 May 2015. The lease payments are subject to annual review.
- a property lease in Brisbane expiring in November 2015
- plant and equipment with various expiry dates.

(b) Capital Expenditure Commitments

There are no capital expenditure commitments contracted for at 30 June 2013 ($nil: 2012).

28. Investments In Subsidiaries

Name of Entity	Class of Share	Equity Holding 2013 %	Equity Holding 2012 %
Tranzact Consulting Ltd	Ordinary	100.00	100.00
Tranzact Investment Services Ltd	Ordinary	100.00	100.00
Asset Custodian Nominees (Aust) Pty Ltd (1)	Ordinary	100.00	100.00
Australia First Financial Services Pty Ltd	Ordinary	100.00	100.00
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
Total Super Pty Ltd	Ordinary	100.00	100.00
Camelot Financial Services Pty Ltd (3)	Ordinary	63.83	61.38
Bob Templetons Australia Pty Ltd (4)	Ordinary	63.83	61.38
Templetons Financial Planning Pty Ltd (4)	Ordinary	63.83	61.38
Group Insurance & Superannuation Concepts Pty Ltd (5)	Ordinary	65.42	65.42

(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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

29. 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 2013 $'000	Consolidated 2012 $'000
Financial Assets		
Cash & cash equivalents	2,840	1,979
Trade and other receivables	654	1,571
Available-for-sale financial assets		
At Cost:		
Shares in unlisted entities	66	66
Partnership for Growth	3,537	4,174
At Fair Value:		
Shares in listed entities	79	43
Shares in associates	184	330
Derivatives	–	29
	7,360	8,192
Financial Liabilities		
Bank Bills	1,390	3,076
Derivatives	109	–
Trade and Other Payables	665	960
	2,164	4,036

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 in these notes.

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 2013 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).

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

29. Financial Instruments *(continued)*

The Group also has currency exposures arising from transactions in a currency other than the Group's functional currency. Approximately 7% 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.

At 30 June 2013, the Group had the following exposure to foreign currencies:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Financial Assets		
Trade and other receivables	178	1,203
Financial assets	3,537	4,174
	3,715	5,377
Financial Liabilities		
Derivatives – forward contracts	3,463	5,226
Net exposure	252	(151)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date. As at 30 June 2013, 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	2013 $'000	2012 $'000
Consolidated Entity		
AUD/NZD + 10%	25	15
AUD/NZD – 10%	(25)	(15)

(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 2013:

Consolidated 2013	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	2.9%	2,497	–	–	2,497
Cash on deposit	4.5%	–	343	–	343
Available for sale financial assets [(1)]	15.1%	3,537	–	–	3,537
Total Interest Bearing Assets		6,034	343	–	6,377
Non-interest Bearing Assets					
Available for sale financial assets		–	–	145	145
Other non-interest bearing assets		–	–	838	838
Total Non-interest Bearing Assets		–	–	983	983
Total Assets		**6,034**	**343**	**983**	**7,360**
Interest Bearing Liabilities					
Bank bills	4.7%	1,390	–	–	1,390
Total Interest Bearing Liabilities		1,390	–	–	1,390
Non-interest Bearing Liabilities		–	–	774	774
Total liabilities		1,390	–	774	2,164
Net Assets		**4,644**	**343**	**209**	**5,196**

(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.*

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

29. Financial Instruments *(continued)*

The following table details the Group's exposure to interest rate risk as at 30 June 2013:

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
Available for sale financial assets [(1)]	13.9%	4,174	–	–	4,174
Total Interest Bearing Assets		6,019	133	–	6,152
Non-interest Bearing Assets					
Available for sale financial assets		–	–	109	109
Other non-interest bearing assets		–	–	1,931	1,931
Total Non-interest Bearing Assets		–	–	2,040	2,040
Total Assets		**6,019**	**133**	**2,040**	**8,192**
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.*

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 2013, 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	**2013 $'000**	**2012 $'000**
Consolidated Entity		
+ 0.50% (50 basis points)	25	23
- 0.75% (75 basis points)	(37)	(15)

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

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

29. 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 expiring in April 2016. As a result the Group considers there is no liquidity risk.

At balance date, the Group has $3,610,000 of unused credit facilities available (Note 31(c)), of which $2,100,000 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 2013 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	900	900	–	–	900	–
Bank Bills [1] – Acquisition Facility	490	490	49	49	392	–
Trade and Other Payables	665	665	665	–	–	–
Derivatives						
Forward Exchange Contracts [2]	3,463	3,463	1,396	2,067	–	–
TOTAL	**5,518**	**5,518**	**2,110**	**2,116**	**1,292**	**–**

(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 $3,356,016, resulting in a net liability of $108,958.*

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	–	1,606	–
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.*

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

29. 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 $3,536,829 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 2013. Ongoing monitoring is conducted to ensure there is no impairment going forward.

– **Trade and Other Receivables**
A receivable of $61,484 relating to the repayment of a loan to the Camelot Partnership is outstanding as at 30 June 2013. There is no material credit risk as explained in the paragraph above.

– **Foreign Exchange Contracts and Bank Deposits**
There are $2,839,613 of funds on deposit for the Consolidated Entity. The credit risk on liquid funds is limited because the counterparties is a major bank with a rating of AA as 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.
- 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.

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

30. 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 Group regularly reviews its capital requirements and determines whether or not to increase or decrease its borrowings. As a consequence, the Board implemented a Dividend Reinvestment Plan ('DRP') which commenced for the dividend payable on 5 October 2012, but was not offered for the dividend of 5 April 2013 due to an improved cash position. 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.

31. Cash Flow Information

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

	Consolidated 2013 $'000	Consolidated 2012 $'000
(Loss)/profit After Income Tax	(243)	1,204
Non-Cash Flows in Operating Profit:		
Provision for depreciation	130	152
Provision for amortisation	1,428	1,273
Increase in provision for staff entitlements	16	5
Share of (profit)/loss of associated entity	9	(30)
Unrealised foreign exchange gains	(207)	(420)
Impairment	1,129	–
Changes in Assets and Liabilities:		
Decrease in current receivables	467	102
(Increase) in prepayments	(248)	(126)
Decrease in deferred tax assets	29	139
(Decrease)/increase in trade and other payables	(188)	100
(Decrease) in current tax liabilities	(12)	(140)
(Decrease) in deferred tax liabilities	(278)	(321)
Net Cash Inflows from operating activities	**2,032**	**1,938**

(b) Non-Cash Financing and Investing Activities

Equity Securities Issued

	Consolidated 2013 No.	Consolidated 2012 No.	Consolidated 2013 $'000	Consolidated 2012 $'000
Ordinary Shares Issued (1)	3,161,894	–	348	–
Ordinary Shares Cancelled (under buy back arrangement)(2)	–	(745,400)	–	(140)

12 months ended 30 June 2013:

(1) *These shares were issued under the dividend reinvestment plan introduced on 8 October 2012 in lieu of a dividend payment.*

12 months ended 30 June 2012:

(2) *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 were subsequently cancelled.*

Notes to the Financial Statements for the year ended 30 June 2013 *(continued)*

31. Cash Flow Information *(continued)*

(c) Credit Standby Arrangements with Banks

	Consolidated 2013 $'000	Consolidated 2012 $'000
Credit facility	5,000	7,250
Amount utilised	(1,390)	(3,076)
Amount unused at reporting date	3,610	4,174

The above is a commercial bill variable interest rate facility of $5,000,000 provided by St George Bank, a division of Westpac Banking Corporation (2012: $8,000,000). This is made up of a three year working capital facility of $3,000,000 and a $2,000,000 acquisition facility with an expiry date of 1 April 2016.

As described in Note 16, the acquisition facility requires the repayment of principal over the term of the facility which cannot be redrawn.

32. 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 2013 $'000	Parent 2012 $'000
Current assets	4,013	3,714
Non current assets	15,942	16,417
Total assets	19,955	20,131
Current liabilities	6,823	6,959
Non current liabilities	197	73
Total liabilities	7,020	7,032
Net Assets	**12,935**	**13,099**
Issued capital	20,133	19,760
Retained earnings	(7,198)	(6,700)
Reserves	–	39
Total Shareholder's Equity	**12,935**	**13,099**
Profit for the year	**124**	**660**
Total Comprehensive Income	**124**	**660**

The parent has not provided guarantees in relation to the debts of its subsidiaries as at 30 June 2013.

The parent company has no contingent liabilities as at 30 June 2013 (2012: nil)

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2013.

33. Contingent Liabilities

There are no contingent liabilities at 30 June 2013.

34. Events Occurring After Reporting Date

The Group has entered in to an agreement to sell its interest in the Templetons business subject to the satisfaction of certain conditions (such as approval of the transaction by the shareholders of the Templetons business).

The proceeds from the sale of this business are consistent with the carrying value of the investments in the financial statements at 30 June 2013 (which reflected a write down in the value of the investment by $161,526).

The proceeds from the sale are approximately $3.6 million, which previously had provided a return on investment of 15%.

The transaction is expected to settle by the end of September 2013.

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 profit or loss and other 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 2013 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 11 to 15 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2013, 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, 26 September 2013

A S T Yeo
Managing Director

Grant Thornton

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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 2013, the consolidated statement of profit or loss and other 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 in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is 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, the financial statements comply 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. Those standards 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.

Grant Thornton

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 2013 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 11 to 15 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

A Sheridan

Partner - Audit & Assurance

Sydney, 26 September 2013

Shareholder Information

Statements Pursuant to Australian Stock Exchange Official Listing Rules as at 13 September 2013

Substantial Shareholders

Substantial shareholders in the Company are set out below:

A. Ordinary Shares

	Number Held	Percentage
Gro-Aust Holdings Limited *	69,513,110	60.43%

** 7,787,378 shares are held through Asset Custodian Nominees Limited*

B. Directors' Shareholding

	Total Interest
P L Harry AM	3,213,999
R L Rodgers	1,489,999
A S T Yeo	71,350,086
W A Ractliffe	2,927,999
C M Malkin	–

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

C. Number of Shareholders

The Company had 417 shareholders with the following distribution of holdings:

Number of Shares	Number of Shareholders
1 – 1,000	23
1,001 – 5,000	91
5,001 – 10,000	72
10,001 – 100,000	155
100,001 – over	76

Of the above, 95 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 13 September 2013

	Name	Holding	% Issued Capital
1	Gro-Aust Holdings Limited*	61,725,732	53.66
2	Asset Custodian Nominees Limited*	8,800,301	7.65
3	London City Equities Limited	7,414,741	6.45
4	Asset Custodian Nominees (Aust) Pty Ltd	2,927,999	2.55
5	Conclude Pty Limited	1,824,000	1.59
6	Contemplator Pty Ltd	1,250,000	1.09
7	Ruaminator Pty Ltd	1,250,000	1.09
8	Tuturau Nominees Ltd	1,246,111	1.08
9	Cedars Properties Pty Ltd	1,000,000	0.87
10	SM Roberts & CA Sheldon	999,370	0.87
11	Mary Christopher	922,884	0.80
12	Dalbow Superannuation Pty Limited	814,109	0.71
13	Central Highlands Financial Services Pty Ltd	803,680	0.70
14	Cravat Holdings Pty Ltd	800,000	0.70
15	Storey Enterprises Pty Ltd	741,980	0.65
16	Russellan Pty Ltd	734,825	0.64
17	Forsyth Barr Custodians Ltd	731,945	0.64
18	Keiser Shipping & Transport Pty Ltd	600,000	0.52
19	Alan Scott Storey	594,087	0.52
20	Keiser Shipping & Transport P/L	500,000	0.43
		95,681,764	**83.21**

* Note – an additional 7,787,378 shares are held by Gro-Aust Holdings Limited through Asset Custodian Nominees Limited.

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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Level 5, 241 Castlereagh Street
SYDNEY NSW 2000
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
Christopher M Malkin	Non-Executive Director

Auditor
Grant Thornton Audit Pty Ltd
Level 19
2 Market Street
SYDNEY NSW 2000
Tel 02 8297 2400

Share Registry
Computershare Investor Services Pty Ltd
ABN 48 078 279 277
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Tel 02 8234 5000
Australia Only
Toll Free1300 850 505

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