Tolhurst Noall
Share Brokers & Financial Planners

MELBOURNE
Level 29
35 Collins Street
Melbourne Vic 3000
Tel: (03) **9242 4000**
Fax: (03) 9242 4040

SYDNEY
Level 35
60 Margaret Street
Sydney NSW 2000
Tel: (02) **9247 8666**
Fax: (02) 9247 9366

PERTH
Level 30
44 St. George's Tce
Perth WA 6000
Tel: (08) **9268 4888**
Fax: (08) 9268 4884

ADELAIDE
Level 14
90 King William St
Adelaide SA 5000
Tel: (08) **8407 5700**
Fax: (08) 8407 5717

GERALDTON
38 Marine Terrace
Geraldton
WA 6530
Tel: (08) **9964 3800**
Fax: (08) 9964 5811

MOUNT WAVERLEY
284 Stephensons Rd
Mount Waverley
Victoria 3149
Tel: (03) **9831 5000**
Fax: (03) 9809 5746

MAROOCHYDORE
Level 3
26 Duporth Ave
Maroochydore
Queensland 4558
Tel: (07) **5409 6100**
Fax: (07) 5409 6199

26 September 2005

ASX Announcements Platform
Companies Announcements Office
Australian Stock Exchange Limited
Exchange Centre
20 Bond Street
SYDNEY NSW 2000

TOLHURST NOALL GROUP LTD

Annual Report 2004/05

The Tolhurst Noall Group Ltd Annual Report for the financial year ended 30 June 2005 is enclosed.

The Annual General Meeting will be held on Tuesday 22nd November 2005 at 11:00am at Level 29, 35 Collins St, Melbourne.

The final Profit from ordinary activities before income tax expense of $2.705m varies from our Appendix 4E announcement of $2.850m, due to an increase in provisions for other claims and penalties.

Yours Faithfully

David Fotheringham
Company Secretary

TOLHURST NOALL GROUP LTD

ABN 50 007 870 760

ANNUAL REPORT

30 JUNE 2005

TOLHURST NOALL GROUP LTD

CORPORATE INFORMATION

Board of Directors
Executive Chairman
David Browne
Peter Reilly
Andrew McDouall
Matthew Wigzell

Secretary
David Fotheringham

Auditors
Moore Stephens
Level 14, 607 Bourke Street
Melbourne Victoria 3000

Lawyers
Minter Ellison
525 Collins Street
Melbourne Victoria 3000

Bankers
ANZ Bank

Registered Office
Level 29, 35 Collins Street
Melbourne Victoria 3000
Tel: 61 3 9242 4000
Fax; 61 3 9242 4040
www.tolhurst.com.au

Share Register
Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide South Australia 5000

Stock Exchange Listing
Tolhurst Noall Group Ltd shares are listed on the Australian Stock Exchange Limited (ASX)
(Code: TNL)

Our Annual Report
Our Annual Report comprehensively records the activities and achievements of the Company for the financial year ended 30 June 2005. In doing so, it complies with the Financial Audit and Administration Act 1977 and with management's operational policy of transparency and full disclosure in reporting.

TOLHURST NOALL GROUP LTD

ANNUAL REPORT – 30 JUNE 2005

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Tolhurst Noall Group Ltd ("the Company") will be held at Level 29, 35 Collins Street, Melbourne Vic, 3000 on the 22nd day of November 2005 at 11 am AEST.

See separate Notice for Agenda of Meeting

TOLHURST NOALL GROUP LTD

THE CHAIRMAN'S REVIEW OF THE YEAR ENDED 30 JUNE 2005

Favourable Australian equity conditions and a focus on the development of institutional broking resulted in increased revenues for the Company in the financial year. All operating divisions of the Company performed well notwithstanding the decrease in revenues generated by the corporate department. Overall, however, the underlying operating profit for the 2005 Financial Year was down 4.1% at $2,704,605 (2004: 2,817,645 (excluding equity accounted profits)). The current outlook remains favourable with the Company focusing its resources in developing the institutional and corporate business with a specific focus on research. Additionally, the Company intends to develop its retail broking and wealth management businesses in part through its focus on research and also through acquisition.

Returns to shareholders decreased marginally during the financial year as a result of increased funds being expended on compliance and regulatory matters, reduced margins in retail broking, the growth of the institutional desk and further investments in technology. The Company forecasts that margins will continue to be under pressure however this will be compensated for through increased institutional activities and corporate activities in the coming financial year. Additionally, wealth management will become a more critical component of the overall offering to clients of the Company.

The Company continues to expend monies on its compliance activities and foresees that this cost of doing business will continue to increase during the coming financial year. Additionally, the Company notes that while governance and compliance are more rigorous, a more litigious environment will lead to increased costs. The Company has undertaken a robust approach to provisioning in its balance sheet to take account of advised potential liability.

As a result of the strengthening in the balance sheet and the continued profitability of the Company, the Board has undertaken to declare a fully franked dividend of $0.01 with entitlements closing on 18 October 2005 and payment of the dividend due on 27 October 2005.

On 21 April 2005 I joined the Board as Chairman-elect following an investment in your Company by Daptha Pty Ltd, a Company that both myself and new fellow director Peter Reilly have a controlling interest. On 4 July 2005 as a result of the decision of John Wilson to stand down as Managing Director I have assumed the role of Executive Chairman with the approval of the Board. I do not foresee my role as an executive being ongoing in the long term and the Company is actively pursuing both acquisitions and a human resource strategy to address this issue.

I believe that there are significant opportunities for your Company to both build its transactional and recurring income base and in doing so increase both shareholder value and returns to shareholders and will be actively pursuing these over the coming year.

I thank my fellow directors for their efforts in the last twelve months. Mr John Harry resigned from the Board effective from 1 July 2005, and his efforts in chairing the Company through very difficult times in 2002 and 2003 must be noted and recorded. Shareholders are indebted to his efforts. Likewise Mr John Wilson's efforts must be noted and recorded. Mr Wilson has worked tirelessly to ensure that the systems and financial stability of the Company has improved to the level it now is.

On behalf of the Board I would also like to thank all staff and senior management for their efforts and achievements over the past financial year.

Yours Faithfully

David W. Browne
Executive Chairman

TOLHURST NOALL GROUP LTD

CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors ("the Board") is committed to Tolhurst Noall Group Limited ("TNGL") achieving superior financial performance and long-term growth, while meeting stakeholders' expectations of sound corporate governance practices. This Statement outlines TNGL's main corporate governance practices as at 30 June 2005.

The Board determines the corporate governance arrangements for TNGL and regularly reviews developments in corporate governance to confirm that those arrangements are the most appropriate for TNGL. The TNGL Board is governed by its Charter and the Constitution of the Company. As detailed in this Statement, the Company considers that its governing practices are appropriate for TNGL but in some cases do not comply with all of the ASX Corporate Governance Council's best practice recommendations. An explanation for material departures from these recommendations is provided in this Statement.

In addition, the Company has posted copies of its Board Charters to its website, www.tolhurst.com.au.

Principle 1: Laying Solid Foundations for Management and Oversight

The role of the Board of Directors is to set goals and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. For these responsibilities the Board is accountable to shareholders.

1.1 Role and Responsibilities

The primary role of the Board is to promote the long-term health and growth of TNGL. To accomplish this, the Board is responsible for:

- Setting the strategic direction of TNGL and monitoring management's performance within that framework;
- Ensuring there are adequate resources available to meet TNGL's objectives including; monitoring its past; appointing and removing the Managing Director and overseeing succession plans for the senior executive team;
- Approving and monitoring financial reporting and capital management;
- Approving and monitoring the progress of business objectives;
- Ensuring that adequate risk management procedures exist and are being used;
- Ensuring that Tolhurst Noall has appropriate corporate governance structures in place including standards of ethical behaviour and a culture of corporate and social responsibility with special reference to TNGL's licence obligations; and
- Ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

The Board has delegated specific authorities to the Executive Chairman.

The Executive Chairman is responsible for:

- Leading the Board in its duties to TNGL;
- Ensuring there are processes and procedures in place to evaluate the performance of the Board, its committees and individual directors;
- Facilitating effective discussions at Board Meetings;
- Ensuring effective communications with shareholders;
- Policy direction of the operations of TNGL;
- The efficient and effective operation of TNGL;
- Ensuring directors are provided with accurate and clear information in a timely manner to promote effective decision making by the Board; and
- Ensuring all material matters affecting TNGL are brought to the Board's attention.

1.2 Executive Chairman

The Company has noted the ASX Corporate Governance Council's best practice recommendation that listed companies have an independent director as chairman. The Company has decided that in order to achieve its immediate goals it is appropriate for the Company to be managed currently by an experienced financial services executive chairman. The Company will review the effectiveness of this policy periodically taking into account opportunities to recruit experienced and successful managers to the Company.

TNGL has adopted a number of practices to regulate the division of responsibilities between the Board and management, and the accountability of management to the Board, including:

- Mr Browne is Chairman of the Nominations Committees.
- Mr McDouall is Chairman of the Board's Remuneration Committee .
- Mr Reilly is Chairman of the Board's Audit and Risk Management Committee and the Corporate Committee .
- Senior compliance executives have direct access to the TNGL Board and to the Executive Chairman.

Principle 2: Structuring the Board to Add Value

2.1 Board Composition

The Board believes that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the Board collectively to:

- Discharge their duties and responsibilities under law efficiently and effectively;
- Understand the business of TNGL and the environment within which TNGL operates so as to be able to oversee management and determine the objectives, goals and strategic direction to maximise shareholder value; and
- Assess the performance of management in meeting those objectives.

The current membership of the Board is set out below. TNGL has four directors; two non-executive directors who are associated with substantial shareholders of the Company and two executive directors. The TNGL Board composition does not conform with ASX Best Practice Recommendation 2.1, which recommends that a majority of the Board should be independent directors. TNGL considers that, for a Company of its size and resources, in the financial services industry, the Board size and composition must be designed to meet the tests of cost and contribution to the business.

Details of each individual Director's background are set out in the schedule to the Directors' Report, which immediately follows this Corporate Governance Statement.

The Company's constitution further provides that the maximum number of Directors shall be ten (10) unless amended by a resolution of the Directors. The number of Directors necessary to constitute a quorum is two (2).

Current Board Composition

Voting Director	Board Membership	Date of Appointment
Andrew McDouall	Non-Executive Director	15 November 2002
David Browne	Executive Chairman	21 April 2005
Peter Reilly	Non-Executive Director	21 April 2005
Matthew Wigzell	Head of Retail Broking	7 March 2005

Board Practices

The Board meets eleven times a year and at other times as needed. An annual Board strategy meeting is held in conjunction with senior management at which the strategic direction for the Company in the short and longer term is discussed.

The monthly Board papers, normally distributed several days prior to the relevant meeting, make the Board aware of current and forthcoming issues relevant to the Company's operations and performance. These contain the monthly and year-to-date performance of all business units, compliance and risk reports from the Audit and Risk Committee and the Compliance Committee and papers relating to particular issues. Where the Chairman or the Company Secretary is aware that potential conflict of interest may arise in relation to a Director, the Director concerned does not receive a copy of the relevant Board paper and withdraws from the Board meeting while the matter is being considered. All Directors have lodged with the Company Secretary a Notice of Interests.

Senior management present significant matters to the Board. The Board may seek further information on any issue, including requesting that a particular Division Head present to it on the performance, strategy or outlook for that Division. The Board also has a policy of enabling Directors to seek independent professional advice for Company-related matters at the Company's expense, subject to the estimated costs being approved by the Chairman in advance as being reasonable.

2.2 Board Committees

Three standing Board Committees have been established to assist in the execution of the Board's responsibilities. All Board members are free to attend any meeting of any Board Committee. The membership of each Committee is outlined in the table below.

It is the policy of the Board that the Chairman of each Board Committee should be the Executive Chairman or a non-executive Director.

The number of times each Board Committee met and the number of those meetings attended by the members of each Committee is set out in the Directors' Report on page 21.

Committee Membership

	Audit and Risk	Corporate	Remuneration	Nominations
Executive Voting Directors				
David Browne	Member	Member	Member	Chairman
Non-Executive Directors				
Peter Reilly	Chairman	Chairman		
Andrew McDouall		Member	Chairman	Member

The functions of the Audit and Risk, Remuneration and Corporate Committees are discussed later in this Statement.

2.3. Nomination and Performance of Directors

2.3.1 Nomination of Directors

The Board has established a Board sub-committee to advise on nominations. This sub-committee comprises the Executive Chairman and Mr McDouall. It's role is to review and consider the structure and balance of the Board and make recommendations regarding appointments, retirements and the terms of office. In particular the Committee is to:

- Identify and recommend to the Board, candidates for the Board after considering the necessary competencies of new Board members;
- Review induction procedures for new appointees to the Board to assist them to effectively discharge their responsibilities;
- Assess and consider the time required to be committed by a Director to properly fulfil their Board functions; and
- Review succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board.

When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new Director, the Nominating Sub-Committee will seek to identify the competencies required to enable the Board to fulfil its responsibilities and recommend candidates with the appropriate expertise and experience. The Nominating Sub-Committee has also identified the following fundamental factors as relevant to the selection and appointment of new directors:

- Extensive and senior commercial experience, preferably with a listed Company or a financial services Company;
- Cultural fit with existing Board members and empathy to the Company's culture;
- High level of personal integrity;
- Independent state of mind;
- Free of conflicts as identified by TNGL, ASX and ASIC; and
- Time available to meet the commitment required.

The Nominating sub-committee has unlimited access to the senior management of TNGL and is able to consult independent experts where it considers it necessary to carry out its duties and responsibilities with all costs borne by the Company.

2.3.2 Tenure

No term of office has been set for Non-Executive Directors.

Where a Director is appointed to fill a casual vacancy on the Board, they are required to submit to election at the next general meeting. In addition, currently one-third of Directors (excluding the Managing Director and rounded down) must retire from office at the Annual General Meeting (AGM) each year; such retiring directors are eligible for re-election. Directors standing for election in these circumstances are subject to a formal performance appraisal prior to the Board determining whether to recommend their re-election.

2.3.3 Performance of Directors and Key Executives

The Board of Tolhurst Noall is committed to ensuring best practice in terms of corporate governance, which includes on-going development of the Board as whole, as well as individual directors. Each year under the guidance of the Remuneration Committee the Board conducts an evaluation of its performance. The findings of this review are tabled at the first meeting each year after 1 July.

The Remuneration Committee provides a confirmation for the annual report that a Board evaluation has taken place and prepares an outline of the process for the annual report.

The evaluation also includes the quality and content of information presented to the Board by management and management's effectiveness in supporting the Board.

The evaluation –

- Is qualitative and quantitative;
- Is conducted by the Board itself or an independent expert; and
- Covers the performance of individual directors and operation of the Board as a group.

The Chairman of the Remuneration Committee is responsible for taking any actions that arise from the evaluation. The evaluation should lead to improved Board procedures, as well as goals for operation of the Board into the future.

Principle 3: Promotion of Ethical and Responsible Decision Making

3.1 Code of Ethics and Conduct

TNGL's Directors and staff are required to maintain high ethical standards of conduct.

TNGL's Code of Ethics and Conduct covers TNGL's dealing with external parties and how the Company operates internally. It is periodically reviewed and fully endorsed by the Board.

The Code of Ethics and Conduct is intended to help Directors and staff to understand their responsibilities to uphold the goals and values to which TNGL aspires and to conduct business in accordance with applicable laws and regulations.

The Code is reflected in, and supported by, a broad range of TNGL's internal policies and procedures. A copy of the Code is available on TNGL's website.

3.2 Staff and Director Trading in TNGL's Securities

TNGL has a formal policy dealing with trading in TNGL shares which is applicable to all Directors, employees, consultants and a person over whom an employee or consultant has or is deemed to have investment control or influence.

TNGL Board members may only trade in TNGL securities with prior approval from the Chairman and in the case of all other employees – the consent of the Company Secretary of TNGL, who will, on the granting of permission, report that fact to the Chairman for noting. However, at any time, if an individual possesses material non-public price sensitive information about TNGL, that person is prohibited from trading.

Principle 4: Safeguarding Integrity in Financial Reporting

TNGL's Board has the ultimate responsibility for the integrity of the Company's financial reporting. To assist the Board in fulfilling this responsibility it has adopted the processes discussed below aimed at ensuring that the financial statements and notes of TNGL are complete, in accordance with applicable accounting standards and provide a true and fair view.

4.1 Financial Assurance

The Board maintains an Audit and Risk Committee and its functions have been expanded to encompass compliance matters. Mr Reilly is Chairman of this committee and Mr Browne is a member (their qualifications and experience are listed on pages 16 and 17 of the Directors Report). Where necessary, the Audit and Risk Committee retains independent professional advisors to assist it in discharging its responsibilities. Because of the lack of independent directors, the current composition of the Board Audit and Risk Committee does not conform with that suggested by the ASX Corporate Governance Council. The Board has delegated the responsibility to identify a further independent director to its Nominations Committee.

Under its charter, the Committee assists the Board in discharging its responsibility to exercise due care, diligence and skill in relation to Tolhurst Noall in the following areas.

- Financial and External reporting
  - The Committee is expected to review all audited Tolhurst Noall financial statements intended for publication prior to recommending their approval by the Board.
  - In undertaking reviews of financial and external reporting the Committee will do so from the shareholder's perspective, with a view to ensuring the information is adequate for their needs.
  - The Committee will be copied into all formal communications with regulators and will review all licence applications or corrections.

- Audit Activities, Audit Scope and Audit Independence
  - The key responsibility of the Committee in relation to the activities of external audit and internal audit are to ensure that the audit approach covers all financial statement areas where there is a risk of material misstatement and that audit activities are carried out throughout Tolhurst Noall in the most effective, efficient and comprehensive manner with due regard to the differing roles of external audit and internal audit. The Committee is responsible for ensuring that the external auditor meets the required standards for auditor independence.

- Risk Management and Internal Control Structure
  - Within the area of risk management and internal control the committee is responsible for monitoring and reviewing the effectiveness of the risk management and internal control structure implemented by management (including the processes supporting external reporting) and advise on significant changes to that structure so as to obtain reasonable assurance that the Tolhurst Noall assets are safeguarded and that reliable financial records are maintained. Special attention will be paid to overview of the credit risk in the business, covering physical transactions, options and warrants. The Committee will also review all risks identified in the ASX Rules including operational risk, issuer risk, position risk, large counter-party risk and any special risks applying to the business.

- Compliance with Tolhurst Noall's Licence Conditions
  - The Committee is responsible for the overview of management's processes as adopted to comply with Tolhurst Noall's FSR licence conditions and all the requirements imposed on Tolhurst Noall by the ASX Rules and related Clearing and Settlement Rules.
  - The Committee is responsible for forming a view on the adequacy of internal controls and risk management involved in the systems and processes adopted by the Company.
  - The Committee shall receive and consider every three months reports from the Compliance Committee which describe the outcome of compliance for the proceeding three months and summarise any breaches of the rules, including application of the disciplinary policies. The Committee shall approve all notification of breaches to the ASX and ASIC and if these are urgent will meet on an adhoc basis to provide such approvals.

- Corporate Governance and Integrity
  - The Committee is responsible for overviewing management's application of the ASX Corporate Governance Council Guidelines in respect of financial reporting and risk oversight.
  - The Committee provides assurance that Tolhurst Noall is adequately managing risk relating to corporate governance and market integrity and is maintaining appropriate controls against conflicts of interest and fraud.

The Board Audit and Risk Committee also has responsibilities in relation to the external auditor disclosed below under "Auditor Independence".

The Board Audit and Risk Committee meetings are held periodically throughout the year.

The Board Audit and Risk Committee has unlimited access to the external auditors, the Group's compliance officers and to senior management of the Group. The Committee also has the power to conduct or authorise investigations into, or consult independent experts on, any matters within the Committee's scope of responsibility. In accordance with current TNGL policy, Committee members may seek independent professional advice for Company-related matters at the Company's expense, subject to the estimated costs being approved by the Chairman, in advance, as being reasonable.

4.2 Certification by the Executive Chairman and Chief Financial Officer

The Executive Chairman and the Chief Financial Officer provide the Board with written confirmation that, to the best of their knowledge and belief, TNGL's financial reports present a true and fair view, in all material respects, of TNGL's financial condition and operational results and are in accordance with relevant accounting standards.

4.3 Auditor Independence

The Board Audit and Risk Committee is also responsible for overseeing the external audit of TNGL. Its duties and responsibilities include to:

- Recommend to the Board the appointment and removal of external auditors. This may include periodic reviews of the external auditor and tenders may be called to assist in deciding which external auditor should be recommended.
- Review, consider and advise the Board on:
  - The fees proposed by the external auditor;
  - The qualification, expertise and resources of the external auditor annually; and
  - Whether an effective, comprehensive and complete audit can be conducted for the fee.
- Monitor the effectiveness, objectivity and independence of the external auditors.
- Develop and recommend to the Board TNGL's policy in relation to the provision of non-audit services by the auditor in order that the provision of such services does not impair the external auditor's independence or objectivity.

To assist it in monitoring the independence of the external auditors, the Committee has adopted the following policy:

- The external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for TNGL, or audits its own professional expertise;
- Significant permissible non-audit assignments awarded to external auditors must be approved in advance by the Committee; and
- Any fee arrangement between TNGL and the external auditor must not contain any contingent or success fees element.

The auditor has been invited to attend this year's AGM and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 5: Timely and Balanced Disclosure

As a listed entity, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, we keep the market advised of all information required to be disclosed under the Rules which we believe would have material affect on the price or value of the Company's securities.

TNGL believe that shareholders and the investment community generally should be informed of all material events that influence TNGL in a factual, timely manner and shareholders are encouraged to participate in general meetings.

5.1 Communications

It is TNGL's policy that all external communications by TNGL will be:

- Factual and subject to internal vetting and Board authorisation before issue;
- Not omit material information; and
- Be timely and expressed in a clear and objective manner.

TNGL's Board considers potentially price-sensitive information in order to meet TNGL's continuous disclosure obligations. The Company Secretary is responsible for coordinating disclosure of information to ASX and shareholders and for educating Directors and staff on TNGL's disclosure policies and procedures.

It is TNGL's policy that any price-sensitive material for public announcement, including annual and interim profit announcements will be lodged with ASX as soon as practical and before external disclosure elsewhere.

Principle 6: Respecting the Rights of Shareholders

The Board's primary responsibility to the shareholders is to do its utmost to meet the Company's objectives and so increase the Company's value. As owners of the Company, the Board maintains active communication with shareholders as often as practicable. Annual Reports are forwarded to all shareholders unless they advise us not to send them.

TNGL usually holds its AGM of members of the Company in November of each year.

The Notice of AGM will be accompanied by explanatory notes on the items of business and together they will seek to clearly and accurately explain the nature of business of the meeting. In that regard, TNGL will be cognisant of best practice, including the Guidelines for Notices of Meetings produced by the ASX Corporate Governance Council. A full copy of the Notice of AGM will be placed on TNGL's website.

Shareholders are encouraged to attend the meeting or, if unable to attend, to vote on the motions proposed by appointing a proxy. The proxy form included with the Notice of AGM will seek to clearly explain how the proxy form is to be completed and submitted.

Unless specifically stated in the Notice of the AGM, all holders of fully paid ordinary shares are eligible to vote on all resolutions.

The Company's auditor attends the AGM.

Principle 7: Recognising and Managing Risk

There are many risks in the markets in which TNGL operates. A range of factors, some of which are beyond TNGL's control, can influence performance. In many of its businesses, TNGL assumes financial risk. TNGL has in place limits and a range of procedures to monitor the risk in its activities, and these are periodically reviewed by the Audit and Risk Committee of the Board.

Further information on TNGL's system of risk oversight and management is set out below and also in the Risk Management Report which is included in the TNGL 2005 Financial Report.

7.1 Board Oversight

The duties of the TNGL Audit and Risk Committee are set out above. In addition, the Committee will:

- Review and endorse TNGL's risk management framework, and any variations to it;
- Review and endorse TNGL's risk profile in each risk area of market liquidity, equity, credit, regulatory and operational risk. There should also be a review of the experience of losses in each risk category to provide confidence that TNGL's policy reflects experience;
- Review and endorse TNGL's capital management plan;
- Review and approve matters requiring Board approval including:
  - Significant variations to policies, limits and delegations of authority
  - Individual transactions beyond the authority delegated to management
- Review limit and policy breaches above certain thresholds; and
- Assess the risk management framework against the expectations of ASIC, ASX and other regulators.

The Board Audit and Risk Committee has the power to consult independent experts on any matters within the Committee's scope of responsibility. Committee members may seek independent professional advice for Company-related matters at the Company's expense subject to the estimated cost being approved by the Chairman of the Board, in advance, as being reasonable.

7.2 Risk Management Framework

TNGL's approach to risk management is described in detail in the Risk Management Report in TNGL's 2005 Financial Report.

7.3 Executive Chairman and Chief Financial Officer Certification

The Executive Chairman and the Chief Financial Officer provide the Board with written confirmation that, to the best of their knowledge and belief and subject to the content of the TNGL Risk Management Report:

- The integrity of TNGL's financial statements is founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board;
- The Company's risk management and internal compliance and control system in force at the date of this report is operating efficiently and effectively in all material respects; and
- In the event that this confirmation is qualified, the Executive Chairman and the Chief Financial Officer explain to the Board the departures from best practice and the steps taken to manage the implications of any departures.

Principle 8: Encouraging Enhanced Performance

The Board has established a Nomination Committee and delegated powers to the Remuneration Committee to assist in its responsibilities to review the performance of the Board and to deal with the attendant issues related to the orderly process of self-renewal. (Refer to Principle 2 for a description of the Nomination Committee's responsibilities).

In order to provide a specific opportunity for performance matters to be discussed with each Director, each year, the Board Chairman has established a formal Director review process. He meets with each Director individually to discuss issues including performance and effectiveness of the Board as a whole, individual Directors and the Chairman, with the intention of providing mutual feedback. Given the nature of the Company's activities it was felt that this was sufficient formality in the process of evaluation of the Board, individual Directors and the Chairman at this point in the Company's development. This process is under way with respect to the current year.

Each Director of the Company is encouraged to have a financial interest in the Company and each has a meaningful shareholding in the Company. These security holdings have been acquired from their own resources. (For details of the holdings refer to the Financial Report). As shareholders in the Company, Directors benefit in the same way as all other shareholders in improving shareholder value.

Principle 9: Fair and Responsible Remuneration

As a financial services provider, TNGL's performance is critically dependent on the skill, experience and calibre of its staff and consultants. Hence, the Company has designed its remuneration practices to be sufficiently competitive to attract and retain the quality of personnel that it seeks and also to encourage long-term commitment and superior performance from its employees. The Company believes this will lead to it achieving above average returns and creating long-term value for its shareholders.

The Board has established the Remuneration Committee. The current composition of the Remuneration Committee is Mr. McDouall and Mr. Browne. This does not conform with the composition suggested by the ASX Corporate Governance Council. To assist Mr McDouall as Chairman, independent advice is sought when he deems this appropriate.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period is included in the remuneration report, which is contained within the Director's Report.

Principle 10: Recognising Legitimate Interest of Stakeholders

Tolhurst Noall's key stakeholders are its shareholders, agents, staff, dealers, clients and creditors.

As noted above, the Company's principles of conduct are intended to guide its activities to ensure that the legal requirements and the obligations to our stakeholders are complied with at all times.

TOLHURST NOALL GROUP LTD

RISK MANAGEMENT REPORT

The Company is committed to the establishment and maintenance of a sound system of risk oversight, management and internal control.

The Board is responsible for ensuring that there are adequate policies in relation to risk oversight and management, and internal control systems. In summary, the Company policies are designed to ensure that strategic, operational, legal, regulatory, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Company's business objectives. The Company operates in an environment of high risk, and this risk profile is accepted because the Company seeks to participate in a business segment with these risk characteristics.

The Company's risk management policy is managed by the Audit and Risk Committee of the Board. Major matters are referred to the Board for evaluation and decision. The Audit and Risk Committee of the Board reviews the progress of business units in managing risk and in developing continuously better procedures for managing risk. During 2004/05 the Audit and Risk Committee of the Board has met at frequent intervals to review the performance of the Company in meeting its compliance objectives and in developing new policies. New and improved policies have been issued and implemented in many areas of the Company, including Options, Settlements and Research.

All business units are required to sign off on risks relevant to their areas and this sign off is given to the Audit and Risk Committee of the Board.

The Executive Chairman and the Chief Financial Officer have stated to the Board in writing that, subject to the matters set out in this Annual Report and especially in the discussion of Risk in the Annual Report, to the best of their knowledge and belief:

1. The financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board, and
2. At the date of this Annual Report, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Any qualifications to this confirmation are explained to the Board, describing the departures from best practice and the steps taken to manage the implications of any departures.

Investment Risk

The Company has an arbitrage business that accepts principal risk. The Company seeks to reduce this risk by establishing limits for the Company's exposures and by clearing its positions rapidly.

From time to time, the Company takes principal positions or is obliged to accept shortfall stock. These positions are managed in part by the Board Corporate Committee that approves underwriting exposures.

Credit Risk

The Company accepts material credit risk in its dealings with clients. In the Corporate Finance business and other activities of the Company, large counterparty risks are accepted from time to time. In addition, in the case of the Options business, if margin calls apply subsequent to the initial trade, or the client is obliged to meet exercise of options, and the client is unable to satisfy the requirements of the ACH, then the Company is responsible for the client's position. This is a very material risk for the Company because options are a major component of its retail business.

The Company seeks to reduce this risk by (a) a sell out policy if clients fail to meet commitments and (b) review of counterparties by the Board Corporate Committee.

Liquidity Risk and Liquid Margin Risk

The Company requires cash to settle trades and liquid margin (as defined by the ASX as regulator) to support the risk in trades.

The Company is building its banking facilities and capital base to mitigate this risk and orders over $3M require prior approval. Nevertheless, the Company may find itself short of the funds and liquid margin necessary to support its business.

RISK MANAGEMENT REPORT

Litigation Risk

The Company receives client complaints and manages these as required by Law and its licence conditions. Some of these complaints become the subject of FICS investigations or law suits. Material claims are possible, including potentially large claims in connection with Corporate Finance mandates and its client advisory business.

The Company seeks to reduce the incidence and financial impact of these claims by complying with the service requirements of the relevant legislation, by insurance cover for large claims and by documentation of client relationships and management with the client of specific matters and concerns.

Insurance risk

To maintain its licences and ASX participation, the Company is required to have various insurances, including professional indemnity insurance. The Company's insurance cover extends at present to 30 June 2006. Continuation of this insurance depends on both matters outside the control of the Company (such as insurance conditions applying to financial services) and matters relating to the Company (such as the Company's claims experience).

Compliance Risk

The Company operates under two licences, both of which impose significant compliance obligations. The Company's licence is its prime asset and meeting the licence obligations and conditions is of the first importance to the Company. The Company must also comply with the market rules of the ASX and its related bodies.

In 2004/05 the Company was been audited by both ASX and ASIC and these audits have assisted in the identification of improvements that needed to be made to internal systems and procedures. The Company is working with the regulators to ensure that all changes required are identified and implemented.

ASX and ASIC fines, penalties, licence conditions and other sanctions are a risk for the Company.

Accounting and Finance and Settlements

The Company's financial obligations and contingent obligations are described in the financial statements. The wider risks in this area are described below.

The Company processes several billions of dollars in transactions annually and there is always a risk of processing error. Some such errors occurred in 2004/05.

The Company is continuing to develop and improve reconciliation and other procedures to mitigate this risk.

The Company relies on certain outsource providers, in particular for information technology support. The main providers to the Company have significant market shares and a history of sound service to the Company. Nevertheless, the reliance on outsiders remains a risk for the Company.

The Company is attempting to standardise its contracts within and without the business. These contracts cover a range of agreements, including outsourcing contracts and alliance agreements. The Company's lawyers, Minter Ellison, review most new agreements but the range of exposure to contracts is a risk for the Company.

Disaster recovery

The Company's business would be adversely affected by a fire or other natural disaster that affected one of its premises, in particular a disaster affecting the communications hub in Head Office in Melbourne.

The Company's Disaster Recovery Plan provides for off-site storage of data tapes and our national based operations provide a range of options in the event of unforeseen problems. We have service contracts with all our major hardware and software providers and we would rely on their turnaround recovery times. A total destruction of our central communications room (eg fire or natural disaster) could require up to 72 hours to fully recover all systems which could impact our ability to meet all our market obligations during the recovery phase.

RISK MANAGEMENT REPORT

Personnel risks

The Company relies on a number of key personnel and is affected by any departure of senior people, both dealers and employees. The Company does not have key man insurance.

The Company is insured for theft by employees. No such claim was made in 2004/05. Nevertheless, fraud remains an important risk for a financial institution. The Company has a policy of separation of duties designed to reduce this risk.

Subject to certain exclusions, the Company indemnifies Board members (who may be responsible executives as approved by the ASX) for their conduct of the business.

Other Operating Risks

The extent of the Company's operations, both across businesses and across locations, creates significant demands on management. There are risks of procedural failure in such a diversified business. The Company seeks to minimise these risks through national communication, co-ordination and controls.

Conflicts of Interest

The Company has a range of policies designed to eliminate or manage conflict of interest and thereby to protect the Firm's clients. For example, the Company requires separation of the Research function from its Corporate Finance and Sales activities.

Nevertheless, the need to protect client's interests is a requirement for a licenced dealer and necessary to support the integrity and goodwill of the business. Failure to fully enforce such policies poses a risk for the business that management seeks actively to manage and control.

The Capital of the Business

The Company maintains an equity capital base that it considers necessary for its needs at the date of this report. However, the Company intends to continue to build its capital base to provide additional support to the business.

In the event that unexpected events and consequent losses deplete the capital of the Company, there can be no assurance that the capital markets will provide the capital and/or debt funds necessary to sustain the Company.

Taxation risks

The Company seeks to comply with all taxation laws and seeks professional advice on its taxation compliance programme. Nevertheless, the complexity of taxation laws creates a risk for the Company.

Competitive position

Some of the Company's businesses operate in highly competitive markets and some of its major competitors are well established in those markets. Increased competition may have an adverse effect on the Company.

Economic factors

Factors such as, but not limited to, political changes, stock market trends, interest rates, currency movements, inflation levels, commodity prices, industrial disruption, taxation changes or legislative or regulatory changes may all have an adverse effect on the Company's operating costs, revenues, profit margins or asset values.

A sustained downturn in business investment or stock exchange turnover would have a material adverse effect on the Company.

TOLHURST NOALL GROUP LTD

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2005.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of report are as follows. Directors were in office for this entire period unless otherwise stated.

David Browne ***Executive Chairman, Appointed 21 April 2005***

David Browne is our Executive Chairman and has over 36 years experience in all aspects of stockbroking, both in Australia and overseas. David was a partner of McCaughan Dyson and Company, Managing Director of ANZ McCaughan, Deputy Chairman of ANZ Securities and a founding shareholder and Managing Director of Lonsdale Securities.

David is a former Affiliate of Australian Stock Exchange Ltd, has been on the Boards of several financial services and broking companies and is the major shareholder of Scotchman's Hill winery.

David is Chairman of the Nominations Committee and serves on the Corporate, Audit & Risk and Remuneration Committees and is a director of Tolhurst Noall Limited.

Andrew McDouall ***Non Executive Director, Appointed 15 November 2002***

Andrew McDouall has a Bachelor of Commerce and Administration (BCA) from Victoria University in Wellington, and is a New Zealand Exchange (NZX) Stockbroker. Andrew is Chairman of the Remuneration Committee, serves on the Nominations and Corporate Committees and is a director of Tolhurst Noall Limited.

Andrew has spent 20 years in the finance industry in New Zealand, including ten years at the Reserve Bank of New Zealand, predominantly in the Economics and Financial Markets Departments. In addition to this Andrew spent three years working at HRL Morrison & Co / Infratil Management Limited, a New Zealand based Infrastructure specialist investment bank, and six years at Forsyth Barr. During his time at Forsyth Barr, Andrew led a management buy-out of around half that Company, and was instrumental in turning Forsyth Barr into New Zealand's largest retail sharebroking firm. When Andrew resigned from Forsyth Barr in November 2001, he was on the Board of the parent Company, and had executive responsibilities as the Director of Investment Banking for the group.

In January 2002 Andrew founded McDouall Stuart Group a trans-tasman investment bank and stockbroking group, and is Managing Director of that Company and its subsidiaries, including NZX Stockbroking firm McDouall Stuart Securities Limited.

Andrew is also a Director of NZX listed stock and station company, Allied Farmers Limited, and is a Director of Allied Farmers Finance Limited, Allied Farmers Wools Limited, Balgreggan Financial Investments Limited, Tartan Securities Limited and a number of private companies.

Andrew is Chairman of the Remuneration Committee and serves on the Corporate and Nominations Committees and is a director of Tolhurst Noall Limited.

Matthew Wigzell ***Executive Director, Appointed 7 March 2005***

Matthew has over 24 years experience in all aspects of stockbroking and joined the Tolhurst group in 1996. He is currently the national Head of Retail Broking and based in our Sydney office.

He is a member of the Australian Institute of Company Directors and is a member of the Retail Broking Committee of the Securities and Derivatives Industry Association.

During the past three years Matthew was a director of D&D-Tolhurst Limited.

Peter Reilly ***Non Executive Director, Appointed 21 April 2005***

Peter Reilly comes to the Board as a former Managing Director of the major Australasian business services group, AUSDOC Group Limited. Peter has over 30 years commercial experience and is a member of the Institute of Chartered Accountants, the Institute of Company Directors and the Taxation Institute of Australia.

Peter is a Non Executive Director and Chairman of the Audit & Remuneration Committees of CPI Group Limited, Non-executive Director of Ausdoc Holdings Pty Ltd, Acumentum Pty Ltd, Executive Director of Concentrated Capital Ltd, and Residential Aged Service Pty Ltd.

Peter is Chairman of the Audit & Risk Committee and the Corporate Committee. Peter is a director of Tolhurst Noall Limited.

Russell McKimm ***Executive Director, Appointed 17 September 2001, Resigned 31 December 2004***

Russell commenced with D&D-Tolhurst in January 1995, specialises in sharebroking and financial planning advice for private clients and served on the Audit & Risk Committee. He is a former Affiliate of the Australian Stock Exchange, a foundation member of the International Association for Financial Planning, a fellow of the Securities Institute of Australia and a Certified Financial Planner.

Russell is now a director and shareholder in SHAW Stockbroking Limited, a director of Securities & Derivatives Industry Association Limited and a director of Financial Industry Complaints Services Limited.

During the past three years Russell has held directorships with Company Zebra Ltd, D&D-Tolhurst Limited, Tolhurst Noall Limited and Tolhurst Securities Limited.

Craig Graham-Smith ***Executive Director, 17 Appointed September 2001, Resigned 21 April 2005***

Craig Graham-Smith commenced with D&D-Tolhurst in March 1999 as Chief Financial Officer/Company Secretary. He was appointed Finance Director of the Tolhurst Group in August 2000 and in June 2002 was appointed Company Secretary. Craig was member of the Audit & Risk and Remuneration Committees and serves as Secretary on all Board committees.

Craig holds a Bachelor of Business (Accounting) and is a Certified Practising Accountant. Craig has over 20 years experience in finance roles including Brambles and Pioneer Concrete and has successfully negotiated management buyouts, major acquisitions and EBAs.

Craig was the Chief Financial Officer and Company Secretary of the Tolhurst Noall Group, Chairman of Provident Nominees Limited and a director of Tolhurst Securities Limited, Tolhurst Noall Corporate Limited and William Noall Holdings Limited. Craig resigned form all of these positions on 23 September 2005.

During the last three years Craig has held directorships with A.C.N. 003 190 449 Ltd, Company Zebra Ltd, D&D-Tolhurst Limited, Elstree Investment Management Limited and Tolhurst Noall Limited.

Peter Chapman ***Executive Director, Appointed 30 November 1999, Resigned 24 November 2004***

Peter's career in the stockbroking and financial services industry spans 30 years during which time he has held positions as Chief Executive, Senior Partner and Director.

Peter joined William Noall Limited in 1990 as an Executive Director and a major shareholder. He is a former Affiliate of The Australian Stock Exchange Limited and a previous Director of The Australian Stock Exchange (Melb) Limited, an Associate of The Securities Institute of Australia and a Fellow of The Australian Institute of Company Directors.

During the past three years Peter has held directorships with Tolhurst Noall Limited, Tolhurst Noall Corporate Limited, Tolhurst Noall Options Limited and William Noall Holdings Limited.

John Harry ***Chairman, Appointed 17 September 2001, Resigned 1 July 2005***

John was a senior partner at Allens Arthur Robinson, and has extensive experience in all aspects of project structuring and financing, mergers and acquisitions, stock exchange compliance and capital markets transactions. He was our group Chairman until 1 July 2005 and served on the Audit and Risk Management and Corporate Committees of the group.

John is a director and proprietor of the boutique investment bank Arcadis Capital Pty Ltd. He is also Chairman of Sedimentary Holdings Limited and is Chairman of Brainwave Australia, a charity which assists the Royal Children's Hospital.

During the past three years John has held directorships with Astarra Capital Limited, Tolhurst Noall Limited and Tishman Speyer Australia Limited.

John Wilson ***Managing Director, 24 Appointed March 2003, Resigned 4 August 2005***

John commenced with Tolhurst Noall Group Ltd in March 2003 as Managing Director and resigned on 4 August 2005. John will continue to serve the Company as a director of Tolhurst Noall Corporate Limited as the firm continues to develop its successful capital markets and advisory practice.

John joined Potter Partners in January 1981 and in that firm held a number of senior positions as a partner and later director, including member of the executive committee and of the Australian Board of directors, operating head of corporate finance and director in charge of risk management. In 1985 John became a member of the Stock Exchange of Melbourne Ltd.

John served on the Audit & Risk and Corporate Committees of the group.

During the past three years John has held directorships with A.C.N. 003 190 449 Ltd, Company Zebra Ltd, D&D-Tolhurst Limited, Tolhurst Noall Options Limited, Tolhurst Securities Limited, Tolhurst Noall Limited and William Noall Holdings Limited.

Peter Leigh ***Executive Director, Appointed 22 September 2004, Resigned 21 April 2005***

Peter has a Bachelor of Economics (Monash) and more than 24 years experience in all facets of the Stockbroking Industry including research, corporate finance and equity capital markets.

Peter was managing director of Tolhurst Noall Corporate Limited and successfully managed the Corporate Department of Tolhurst from 2000 until 2004. Since 2004, he has been Head of Investment Banking and Wholesale Business, with Corporate and Institutional stockbroking reporting to him. Prior to joining Tolhurst, Peter was Director of Research for ANZ McCaughan for four years and then a Director of ANZ Securities Corporate.

Peter is a director of Tolhurst Noall Options Limited and William Noall Holdings Limited.

During the past three years Peter has held directorships with A.C.N. 003 190 449 Ltd, D&D-Tolhurst Limited and Tolhurst Noall Limited.

Ian Johnson ***Executive Director, Appointed 17 September 2001, Resigned 2 July 2004***

Ian commenced with Company in 1960 and retired in September 2004. He was a member of the Australian Stock Exchange Ltd and was a former senior partner and managing director of the Company for many years.

Ian is a director of McKenzie Financial Services Limited, The G.W.Vowell Foundation Ltd and The Australian Davis Cup Tennis Foundation.

During the past three years Ian has held directorships with A.C.N. 003 190 449 Ltd, Astarra Capital Limited, Company Zebra Ltd, D&D-Tolhurst Limited, Elstree Investment Management Limited, Provident Nominees Limited, Tolhurst Noall Limited, Tolhurst Noall Corporate Limited, Tolhurst Noall Options Limited, Tolhurst Securities Limited and William Noall Holdings Limited.

COMPANY SECRETARY

Craig Graham-Smith Company Secretary, Appointed 17 September 2001, Resigned 23 September 2005

Craig Graham-Smith commenced with D&D-Tolhurst in March 1999 as Chief Financial Officer/Company Secretary. He was appointed Finance Director and Company Secretary of the Tolhurst Group on 17 September 2001. Craig resigned as Finance Director on 21 April 2005 and as Company Secretary on 23 September 2005.

Craig holds a Bachelor of Business (Accounting) and is a Certified Practising Accountant. Craig has over 20 years experience in finance roles including Brambles and Pioneer Concrete and has successfully negotiated management buyouts, major acquisitions and EBAs.

David Fotheringham Company Secretary, Appointed 29 August 2005

David Fotheringham joined Tolhurst Noall in August 2005 and was appointed Company Secretary of Tolhurst Noall Group Ltd on 29th August 2005.

David holds a Bachelor of Business (Accounting) and is a Chartered Accountant. David also holds a Graduate Diploma in Applied Finance and is registered Project Management Professional with Project Management Institute. David is currently studying a Graduate Diploma in Applied Corporate Governance

David has a diverse range of experience finance and management gained both here in Australia and overseas including auditing, taxation, IT system implementation, management consulting, change management and was previously the Group Financial Controller of a listed company.

In addition to Company Secretary David is the General Manager – Strategy & Administration.

DIRECTORS' INTERESTS

As at the date of this report the interest of Directors in the shares and options of the Company and related bodies corporate are:

	Interest in Ordinary Fully Paid Shares	Interest In Options over Ordinary Shares
Andrew McDouall	8,344,737	-
Matthew Wigzell	502,500	322,000
Peter Reilly	19,700,686	-
David Browne	19,700,686	-

There have been no share issues during or since the year-end as a result of the exercise of ordinary share options.

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity were:

- Private client investment advisory services, stockbroking and associated financial services
- Corporate advisory services
- Property investment
- Property management

Property investment and property management services ceased during the financial year.

TOLHURST NOALL GROUP LTD

DIRECTORS' REPORT

EARNINGS PER SHARE	CONSOLIDATED 2005	2004
Basic earnings per share (cents per share)	2.13	3.41
Diluted earnings per share	2.13	3.41
Weighted average number of ordinary shares used in the calculation of basic earnings per share	98,965,137	82,980,259
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	98,965,137	82,980,259

FINANCIAL RESULTS

The consolidated profit of the consolidated entity for the financial year after income tax was $2,106,998 (2004: $2,826,525).

DIVIDENDS

No dividends have been paid during the financial year.

The Directors recommend the payment of a $0.01 dividend in respect of the year ended 30 June 2005.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no other significant changes to the state of affairs of the Company that occurred during the financial year not otherwise disclosed in this report or the Company's financial statements.

SIGNIFICANT MATTERS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

OPERATING AND FINANCIAL REVIEW

A review of the operations for the year is set out in the Chairman's Review on page 3.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Details of the remuneration policy for Directors and other officers are included in Principle 9: Remunerate fairly and responsibly (page 12 of the Corporate Governance Principles) and the Remuneration Report (pages 22 – 27).

Details of the nature and amount of emoluments for each Director of the Company and executive officers are included in the Remuneration Report.

FUTURE AND LIKELY DEVELOPMENTS

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, other than as mentioned in the Chairman's report as the directors have reasonable grounds to believe that market volatility makes it impractical to forecast future profitability and other material financial events.

ENVIRONMENTAL ISSUES

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 9,654,000 unissued ordinary shares under options as follows:

- 3,650,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.25. The options expire on 21 November 2005.
- 234,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.298 #. The options expire on 25 July 2006.
- 2,370,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.218 #. The options expire on 31 December 2006.
- 3,400,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.25. The options expire on 21 November 2007.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

As announced to the market on 17 December 2003, these option series were re-priced in Accordance with ASX Listing Rule 6.22.2 following the pro-rata issue to shareholders.

On 1 March 2005, 50,000 shares were issued at 16.8 cents per share, on the exercise of options under the Tolhurst Noall Group Ltd employee option plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number attended by each Director were as follows:

	Directors Meeting (15)		Audit and Risk Management Committee (10)		Remuneration Committee (4)		Corporate Committee (13)	
	Meetings Attended	Entitled to Attend	Meetings Attended	Entitled to Attend	Meetings Attended	Entitled to Attend	Meetings Attended	Entitled to Attend
Peter Chapman	6	7	-	-	-	-	-	-
David Browne	3	3	2	2	1	1	-	-
Peter Reilly	3	3	2	2	-		2	3
John Harry	13	15	8	10	-	-	13	13
Peter Leigh	8	8	-	-	-	-	-	-
Russell McKimm	6	7	1	5	-	-	-	-
Craig Graham-Smith	12	12	8	8	3	3	10	10
John Wilson	15	15	10	10	-	-	10	13
Andrew McDouall	15	15	-	-	4	4	1	1
Matthew Wigzell	6	6	-	-	-	-	-	-

There also exists a Related Party Transactions Sub Committee comprising of Mr Reilly and Mr McDouall who meet to approve the participation of Directors in corporate transactions. Directors are permitted to participate in corporate transactions only if this is deemed by the Committee to be in the interests of the clients and the firm.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITOR

During or since the end of the financial year, the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums, against costs incurred in defending:

(a) any writ, summons, application or other originating legal or arbitral proceedings, cross claim or counterclaim issued against or served upon any Director or Officer alleging any Wrongful Act; or
(b) any written or verbal demand alleging any Wrongful Act communicated to any Director or Officer under any circumstances and by whatever means.

The total amount paid for this insurance was $50,397.

In relation to the other activities of the Company, the Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate paid any premiums in regards to indemnification and insurance of directors and officers.

No indemnity or insurance is in place in respect of the auditors.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Tolhurst Noall Group Ltd (the Company).

Remuneration Policy

In setting its remuneration arrangements, reference is made to current employment market conditions in the markets in which TNGL operates.

TNGL's remuneration practices include:

- Base remuneration for staff determined by reference to market conditions;
- Bonuses for staff based on the profitability of TNGL and individual contributions;
- Competitive remuneration of consultants, based on revenue achieved, which may include deferred commissions;
- Staff equity participation through offers of options and distributions of equity in TNGL; and
- Profit share in some of TNGL's business entities.

Key elements of the arrangements are reviewed by the Board Remuneration Committee (discussed below) and revised where appropriate, having regard to prevailing market conditions. Flexibility is retained to vary or make exceptions to the employment arrangements where special circumstances arise.

Executive Director Remuneration

Executive Directors receive base remuneration, which is determined by reference to market conditions, and are eligible to participate in bonuses and offers of options or equity in TNGL.

The remuneration policy is designed to encourage superior and long-term commitment to TNGL.

Executive Directors do not receive any fees for being Directors of TNGL or for attending Board and Board Committee meetings.

The employment contract with the former Managing Director provides ordinarily for termination of employment by TNGL giving 12 months' notice (or a lesser time in certain circumstances, including misconduct). The former Managing Director is entitled to a schedule of bonuses linked to TNGL's profit before tax. With respect to 2005, the former Managing Director received a bonus on this formula of $300,000 (2004: $150,000).

TNGL's total employment expense is shown in the Statement of Financial Performance on page 29 of the 2005 Financial Report. In total, consultants commission, staff salaries and directors fees amount to $22.9 million, which is 59.1% of TNGL's revenue. TNGL considers that this level of remuneration is necessary to deliver sound performance and long term value for shareholders.

All executive directors, non-executive directors and responsible executives of TNGL are entitled to an Indemnity and Access Agreement under which, inter alia, they are indemnified as far as possible under the law for their actions as directors and officers of TNGL.

The Company has executed a Director's Employment Agreement with the Executive Chairman, Mr David Browne, which provides an annual salary package of $250,000. On the attainment of specific key performance indicators Mr Browne can earn up to 100% of his salary package in bonus each year and on overachievement of key performance indicators relating to EBITDA can receive additional bonus payments. There are no termination benefits applicable to the Chairman's appointment

.

The Company has executed a Director's Employment Agreement with Executive Director, Mr Wigzell, which provides an annual salary package of $100,000.

Non-Executive Director Remuneration

The remuneration policy for Non-Executive Directors (NEDs) is designed to remunerate NEDs for their time, commitment and responsibilities. NEDs are remunerated for their services from the maximum aggregate amount (currently $200,000 per annum) approved by shareholders for that purpose. They receive a base fee for their Committee and other duties, which is set for the present at $45,000 per person per annum.

There are no termination payments to NEDs on their retirement from office other than with respect to the former Chairman. Under an agreement with the Company in 2001 the former Chairman was entitled to a sliding scale of termination payments, commencing from September 2004. An amount of $200,000 was provided in 2004 with respect to the retirement benefit accrued at September 2004. This amount increased to $260,000 commensurate with an increase in the former Chairman's remuneration to $130,000 per annum. The former Chairman resigned on 1 July 2005 and received the $260,000 retirement benefit.

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is:

Setting Remuneration Arrangements

The Board has established the Remuneration Committee. The current composition of the Remuneration Committee is Mr. McDouall and Mr. Browne. This does not conform with the composition suggested by the ASX Corporate Governance Council. To assist Mr McDouall as Chairman, independent advice is sought when he deems this appropriate.

The primary functions of the Remuneration Committee are to assist the Board in developing remuneration policies and in making recommendations to the Board on:

- Executive remuneration and incentive policies;
- The remuneration packages of senior management;
- TNGL's recruitment, retention and termination policies for senior management;
- Incentive schemes;
- Superannuation arrangements; and
- The remuneration framework for directors.

The Remuneration Committee has access to the senior management of TNGL and is able to consult independent experts where it considers it necessary to carry out its duties and responsibilities, with all costs borne by TNGL.

Executive Officer Remuneration, including Executive Directors

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of sales targets and return on capital ratios. Bonuses included in Table (a) and Table (b) below are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. The bonuses were granted to both directors and specified executives to be paid on 15 September 2005. There has been no alteration to the terms of the bonuses paid since grant date.

a) Director Remuneration

	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Equity & Options	Retirement Benefit Entitlement	Total
David Browne	*Chairman – Executive (appointed 21 April 2005)*					
2005	20,920	-	-	-	-	20,920
Peter Reilly	*Director – Non Executive (appointed 21 April 2005)*					
2005	7,241	-	-	-	-	7,241
Peter Chapman	*Director – Executive (resigned 24 November 2004)*					
2005	22,173	1,997	-	-	-	24,170
2004	47,178	4,248	-	-	-	51,426
John Harry	*Chairman – Non Executive (resigned 1 July 2005)*					
2005	76,452	54,235	-	-	60,000	190,687
2004	76,453	23,547	-	-	200,000	300,000
Russell McKimm	*Director – Executive, Head of Retail Broking, ASX Responsible Executive & ASIC Responsible Officer (resigned 31 December 2004)*					
2005	79,125	6,673	-	-	-	85,798
2004	173,873	35,415	-	-	-	209,288
Craig Graham-Smith	*Finance Director, Company Secretary, ASX Responsible Executive & ASIC Responsible Officer (resigned as director 21 April 2005)*					
Director 2005	110,073	10,153	-	-	-	120,226
Executive 2005	28,514	2,320	23,750	-	-	54,584
Total 2005	138,587	12,473	23,750	-	-	174,810
2004	160,034	14,966	75,000	-	-	250,000
John Wilson	*Managing Director, ASX Responsible Executive & ASIC Responsible Officer (resigned as director 4 August 2005)*					
2005	200,000	-	300,000	-	-	500,000
2004	225,000	-	150,000	-	-	375,000
Andrew McDouall	*Director – Non executive*					
2005	28,218	-	-	-	-	28,218
2004	25,000	-	-	-	-	25,000
Peter Leigh	*Director, Investment Banking & Wholesale Business, ASX Responsible Executive & ASIC Responsible Officer (appointed 22 September 2004, resigned 21 April 2005)*					
Director 2005	120,830	6,669	-	-	-	127,499
Executive 2005	74,606	4,561	100,000	-	-	179,667
Total 2005	195,436	11,230	100,000	-	-	306,666
2004	162,416	12,583	175,000	500	-	350,499
Matthew Wigzell	*Director - Head of Retail Broking, ASX Responsible Executive & ASIC Responsible Officer (appointed 7 March 2005)*					
2005	53,333	-	-	-	-	53,333
Donald Taig	*Director – Non executive (resigned 3 May 2004)*					
2004	22,000	-	-	-	-	22,000
John Nagle	*Director – Non executive (resigned 15 March 2004)*					
2004	18,000	-	-	-	-	18,000
Ian Johnson	*Director – Executive (resigned 2 July 2004)*					
2004	202,333	18,210	-	-	-	220,543
Total Remuneration – Directors						
2005	821,485	86,607	423,750	-	60,000	1,391,842
2004	949,871	96,386	225,000	-	200,000	1,471,257

b) Specified Executive Remuneration

		Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Equity & Options	Retirement Benefit Entitlement	Total
George Semerdjian		*Senior Industrial Analyst*					
	2005	135,634	12,207	14,500	-	-	162,341
Luke Murphy		*Director, Corporate Finance*					
	2005	105,505	9,495	44,000	-	-	159,000
	2004	105,505	9,495	91,000	500	-	206,500
Graeme Whitelaw		*Director, Corporate Finance*					
	2005	117,157	12,069	-	-	-	129,226
	2004	113,000	12,450	91,000	500	-	216,950
Peter Bolitho		*Manager Corporate Affairs and Financial Planning*					
	2005	129,999	11,700	12,000	-	-	153,699
Bernard Power		*Head of Desk, ASX Responsible Executive*					
	2005	142,274	14,509	-	-	-	156,783
Total Remuneration – Specified Executives							
	2005	630,569	59,980	70,500	-	-	761,049
	2004	580,783	52,516	397,000	2,500	-	1,032,799

Group totals in respect of 2004 do not necessarily reflect the sums of amounts for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

c) Remuneration options

Options granted as remuneration	Vested No.	Granted No.	Grant Date	Value per option at grant date (*)	Exercise Price	First Exercise Date	Last Exercise Date
P Leigh	5,000	-	-	-	-	-	-
M Wigzell	5,000	-	-	-	-	-	-
B Power	11,500	-	-	-	-	-	-
L Murphy	6,000	-	-	-	-	-	-
G Whitelaw	6,000	-	-	-	-	-	-

(*) The assessed value at grant date of options granted to directors and specified executives is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that model that takes into account the exercise price, the term of the option, the non-tradeable nature of the option, the lack of stock liquidity, the share price at grant date and expected price volatility of the underlying share and the risk-free interest rate for the term of the option.

No shares have been issued as the result of the exercise of remuneration options.

d) Option Holdings

Number of options held by specified directors and executives	Balance 1/7/04.	Granted as remuneration	Options exercised	Net change other	Balance 30/6/05	Total vested 30/6/05	Total exercisable 30/6/05	Total un-exercisable 30/6/05
J Wilson	3,400,000	-	-	-	3,400,000	3,400,000	3,400,000	-
C Graham-Smith	250,000	-	-	-	250,000	250,000	250,000	-
R McKimm	150,000	-	-	(150,000)	-	-	-	-
P Leigh	270,000	-	-	-	270,000	265,000	265,000	5,000
M Wigzell	322,000	-	-	-	322,000	304,000	304,000	18,000
B Power	196,000				196,000	184,500	184,500	11,500
L Murphy	124,000	-	-	-	124,000	118,000	118,000	6,000
G Whitelaw	174,000	-	-	-	174,000	168,000	168,000	6,000
	4,886,000	-	-	(150,000)	4,736,000	4,689,500	4,689,500	46,500

e) Shareholdings

Number of shares held by directors and specified executives.	Balance 1/7/04	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/6/05
Directors					
Peter Chapman	1,331,567	-	-	(267,387)	1,064,180
John Harry	211,538	-	-	(211,538)	-
Ian Johnson	20,641,289	-	-	(10,036,019)	10,605,270
Russell McKimm	1,569,800	-	-	43,530	1,613,330
Craig Graham-Smith	637,500	-	-	-	637,500
John Wilson	-	-	-	-	-
Andrew McDouall	8,344,737	-	-	-	8,344,737
Peter Leigh	315,625	-	-	-	315,625
Peter Reilly	-	-	-	19,700,686	19,700,686
David Browne	-	-	-	19,700,686	19,700,686
Matthew Wigzell	502,500	-	-	-	502,500
Specified Executives					
B Power	170,000	-	-	-	170,000
G Semerdjian	-	-	-	-	-
L Murphy	6,500	-	-	-	6,500
P Bolitho	5,000	-	-	-	5,000
G Whitelaw	165,337	-	-	-	165,337
	33,901,393	-	-	28,929,958	62,283,351

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being performance based bonuses and the second being the issue of options to the majority of directors and executives to encourage the alignment of personnel and shareholder interests. The Company believes this policy to have been effective in increasing shareholder wealth over the past three years.

DIRECTORS' REPORT

The following table shows the gross revenue and profits for the last three financial years as well as the share price at the end of the respective financial years. The improvement in the Company's performance over the last three years has been reflected in the company's share price with an increase each year. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that this continued improvement has led to increased shareholder wealth over the past three years.

	2005	**2004**	**2003**
Revenue	$38.8m	$36.2m	$26.0m
Net profit	$2.1m	$2.8m	$0.1m
Share price at year-end	$0.24	$0.11	$0.10
Dividends paid/proposed	1 cent per share	nil	nil

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the independence declaration from the auditor of Tolhurst Noall Group as stated on page 28

Non Audit Services

The following non-audit services were provided by the Company's auditor, Moore Stephens HF. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Moore Stephens HF received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$174,040
Internal controls review	$16,775
Other	$35,178
	$225,993

Signed in accordance with a Resolution of the Directors.

DAVID W. BROWNE
EXECUTIVE CHAIRMAN

PETER T. REILLY
DIRECTOR

Dated at Melbourne this 23rd day of September 2005.

MOORE STEPHENS

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Tolhurst Noall Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

S. David Pitt
Partner

Melbourne 23 September 2005

Moore Stephens ABN 39 533 589 331
14th Floor, 607 Bourke Street, Melbourne, Victoria, 3000 Australia
Telephone: +61 3 9614 4444 Facsimile: +61 3 9614 6039
Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au
A member of the Moore Stephens International Limited Group of Independent Firms
A separate partnership in Victoria

TOLHURST NOALL GROUP LTD

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
		$	$	$	$
Revenue from ordinary activities	2	38,819,680	36,194,345	-	7,501
Dealers rebates		(14,725,748)	(12,322,144)	-	-
Sub-underwriting paid		(1,562,236)	(2,577,702)	-	-
Administration costs		(7,453,590)	(7,267,720)	-	(34,120)
Depreciation and amortisation expense	3	(605,569)	(671,059)	-	-
Borrowing costs	3	(419,649)	(470,944)	-	(43)
Employee benefits expense		(8,216,467)	(7,500,863)	-	(558,197)
Occupancy costs		(1,430,749)	(1,512,899)	-	-
Communication costs		(1,327,759)	(1,130,032)	-	(264)
Share of net profit of associates accounted for using the equity method	9	11,168	627,104	-	-
Provision for diminution of investments in controlled entities		-	-	-	1,650,000
Loss on disposal of group companies		-	-	-	(255,132)
Net unrealised gain/(loss) from investments		(94,476)	76,663	-	-
Profit from ordinary activities before income tax expense		**2,704,605**	**3,444,749**	**-**	**809,745**
Income tax expense/(benefit) relating to ordinary activities	5	597,607	618,224	(230,571)	618,230
Profit from ordinary activities after income tax expense		**2,106,998**	**2,826,525**	**230,571**	**191,515**
Total changes in equity other than those resulting from transactions with owners as owners		**2,106,998**	**2,826,525**	**230,571**	**191,515**
Earnings per share	21				
Basic earnings per share (cents per share)		2.13	3.41		
Diluted earnings per share (cents per share)		2.13	3.41		

Note: Franked dividends per share have not been disclosed, as the consolidated entity did not distribute any dividends during the financial year.

TOLHURST NOALL GROUP LTD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	NOTE	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
		$	$	$	$
CURRENT ASSETS					
Cash assets	22(i)	17,339,031	13,656,260	-	-
Receivables	6	34,849,310	23,999,716	-	62,278
Other	7	149,702	230,721	-	-
Financial assets	8	233,377	798,894	-	-
TOTAL CURRENT ASSETS		**52,571,420**	**38,685,591**	**-**	**62,278**
NON-CURRENT ASSETS					
Receivables	6	-	-	5,455,197	4,952,204
Financial assets	8	1,218,202	1,925,675	1,650,001	1,650,001
Investments accounted for using the equity method	9	75,668	-	-	-
Property, plant and equipment	10	835,767	1,098,919	-	-
Deferred tax assets	5	671,204	450,213	671,204	450,213
Other	7	-	70,759	-	-
TOTAL NON-CURRENT ASSETS		**2,800,841**	**3,545,566**	**7,776,402**	**7,052,418**
TOTAL ASSETS		**55,372,261**	**42,231,157**	**7,776,402**	**7,114,696**
CURRENT LIABILITIES					
Payables	11	38,064,486	27,604,378	217,000	234,462
Interest bearing liabilities	12	1,963,765	1,623,907	-	-
Current tax liabilities	5	764,901	416,918	764,901	416,918
Provisions	13	531,315	584,371	-	-
TOTAL CURRENT LIABILITIES		**41,324,467**	**30,229,574**	**981,901**	**651,380**
NON-CURRENT LIABILITIES					
Payables	11	-	-	92,214	-
Interest bearing liabilities	12	2,256,571	2,665,645	-	-
Provisions	13	859,763	519,876	-	-
TOTAL NON-CURRENT LIABILITIES		**3,116,334**	**3,185,521**	**92,214**	**-**
TOTAL LIABILITIES		**44,440,801**	**33,415,095**	**1,074,115**	**651,380**
NET ASSETS		**10,931,460**	**8,816,062**	**6,702,287**	**6,463,316**
SHAREHOLDERS' EQUITY					
Contributed equity	14	21,044,878	21,036,478	21,044,878	21,036,478
Accumulated losses	15	(10,113,418)	(12,220,416)	(14,342,591)	(14,573,162)
TOTAL SHAREHOLDERS' EQUITY		**10,931,460**	**8,816,062**	**6,702,287**	**6,463,316**

TOLHURST NOALL GROUP LTD

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	NOTE	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		35,438,855	36,096,343	62,278	-
Payments to suppliers and employees		(33,921,638)	(29,926,060)	(17,462)	(489,702)
Dividends received		223,196	175,988	-	-
Borrowing costs		(419,649)	(470,942)	-	(43)
Interest received		1,024,918	534,202	-	1,011
Income tax (paid) / credit received		(470,615)	(42,642)	401,063	-
Net cash provided by/(used in) operating activities	22(ii)	**1,875,067**	**6,366,889**	**445,879**	**(488,734)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		2,146,279	2,752,858	-	6,490
Purchase of investments		(449,025)	(623,199)	-	-
Proceeds from sale of property plant & equipment		-	7,038	-	-
Acquisition of property, plant & equipment		(271,658)	(502,448)	-	-
Net cash provided by investing activities		**1,425,596**	**1,634,249**	**-**	**6,490**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		1,184,530	833,850	-	98,265
Repayment of borrowings		(805,481)	(2,007,872)	(454,279)	(1,320,580)
Proceeds of share issues		8,400	1,703,988	8,400	1,703,988
Net cash provided by / (used in) financing activities		**387,449**	**529,966**	**(445,879)**	**481,673**
Net increase/(decrease) in cash held		**3,688,112**	**8,531,104**	**-**	**(571)**
Cash at the beginning of the financial year		**13,596,228**	**5,065,124**	**-**	**571**
Cash at the end of the financial year	22(i)	**17,284,340**	**13,596,228**	**-**	**-**

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation

The financial report is a general purpose financial report and has been drawn up in accordance with Australian Accounting Standards, the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. They have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report covers the consolidated entity of Tolhurst Noall Group Ltd and controlled entities of Tolhurst Noall Group Ltd as an individual parent entity.

Tolhurst Noall Group Ltd is a listed public Company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of Consolidation

A controlled entity is any entity controlled by Tolhurst Noall Group Ltd. Control exists where Tolhurst Noall Group Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Tolhurst Noall Group Ltd to achieve the objectives of Tolhurst Noall Group Ltd. A list of controlled entities is contained in Note 8 to the financial statements.

All inter-Company balances and transactions between entities in the economic entity, including any unrealised profits or losses have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(c) Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 30 days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

The Cash Trusts account is used for the retention of client funds and is subject to the regulations under the ASX Market Rules.

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(e) Provision for Doubtful Debts

The collectibility of debts is assessed at year-end and a provision is made for any specific doubtful accounts. In addition a general provision is maintained.

(f) Taxes

Income Taxes
The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the asset.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tolhurst Noall Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime from 1 July 2003. Tolhurst Noall Group Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each Company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Financial Assets

Current

Marketable equity securities are valued at market value. Other securities are carried at the lower of cost or recoverable amount. Dividends are brought to account as they are received. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-Current

Controlled Entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account to net profit/(loss) when they are proposed by the controlled entities except when dividends are paid from pre-acquisition retained earnings. These dividends are netted against the carrying value of the investment.

Other Securities
Marketable equity securities are valued at the lower of cost and net market value. Other securities are carried at the lower of cost or recoverable amount. Dividends are brought to account as they are received.

(h) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

(i) Investment Properties

Investment units and land are at either directors or independent valuation.

(j) Property, Plant and Equipment

Plant and equipment are measured on the cost basis. All fixed assets are depreciated so as to write off the depreciable amount of each item over its estimated useful life.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the results of the consolidated entity in the year of disposal.

Depreciation is provided on a diminishing value basis or straight-line method on all property, plant and equipment.

Class of fixed asset:	Depreciation period:
❖ Leasehold Improvements	6.5 – 10 years
❖ Plant and Equipment	2.5 – 7 years
❖ Motor Vehicles	4 – 5 years

(k) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(l) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

Deferred cash settlements are recognised as the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(m) Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(n) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The value of the Employee Share Scheme as described in Note 19 is being charged as an employee entitlement expense.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the periods in which they are incurred.

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to net profit/(loss).

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.
Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Financial Instruments

Refer to note 25 for accounting policies, terms and conditions associated with other financial instruments.

(s) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from share trading is recognised at the time of completion of the contract.

Dividend revenue is recognised when the right to receive a dividend has been established.

Interest revenue is recognised when the right to receive the interest has been established.

(t) Reclassification of Prior Year Comparatives

Where required by Accounting Standards, prior year figures have been adjusted to conform with changes in presentation in the current year.

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 2 REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Broking and commission	29,017,060	24,374,640	-	-
Underwriting	3,743,096	5,378,909	-	-
Management services	69,877	83,938	-	-
Share trading	2,387,283	2,581,396	-	-
Total revenues from operating activities	35,217,316	32,418,883	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 2 REVENUE FROM ORDINARY ACTIVITIES (cont.)				
Revenues from non-operating activities				
Dividends				
Other Corporations	219,696	175,988	-	-
Interest				
Other persons	1,024,918	534,202	-	1,011
Proceeds from sale of investments	2,146,279	2,752,858	-	6,490
Proceeds from sale of property, plant and equipment	-	7,038	-	-
Rental revenue	211,471	305,376	-	-
Total revenues from outside the operating activities	3,602,364	3,775,462	-	7,501
Total revenues from ordinary activities	**38,819,680**	**36,194,345**	**-**	**7,501**
NOTE 3 EXPENSES AND LOSSES				
Depreciation of non-current assets				
Plant and equipment	534,810	593,510	-	-
Total depreciation of non-current assets	534,810	593,510	-	-
Amortisation of non-current assets				
Expenditure carried forward	70,759	77,549	-	-
Total amortisation of non-current assets	70,759	77,549	-	-
Total depreciation and amortisation expenses	**605,569**	**671,059**	**-**	**-**
Borrowing costs expensed				
Interest expense				
Directors	299,497	298,015	-	-
Other persons	120,152	172,929	-	43
Total borrowing costs expensed	**419,649**	**470,944**	**-**	**43**
Bad and doubtful debts – trade debtors	32,658	89,591	-	-
Operating lease rental	1,500,349	1,566,057	-	-
Net gain/(loss) on disposal of assets				
- property, plant & equipment	-	7,038	-	-
- investments	(213,260)	203,147	-	24,728
NOTE 4 DIVIDENDS				
Proposed final fully franked ordinary dividend of 1 cent per share (2004: nil) franked at the tax rate of 30%	989,984	-	989,984	-
Balance of franking account at year end adjusted for franking debits arising from payment of proposed dividends.	2,301,296	2,434,019	2,301,296	2,434,019

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 5 INCOME TAX				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%				
- consolidated	811,382	1,033,425	-	-
- the Company	-	-	-	242,924
- other members of the income tax consolidated group net of interCompany transactions	-	-	-	790,501
	811,382	1,033,425	-	1,033,425
Add tax effect of:				
- non deductible depreciation and amortisation	22,565	-	-	-
- other non allowable items	92,187	181,162	-	181,162
	926,134	1,214,587	-	1,214,587
Less tax effect of:				
- rebateable dividends	95,655	-	-	-
- over provision of income tax in prior years	110,353	6	110,353	-
- equity accounting profit	2,301	188,131	-	188,131
- timing differences and tax losses brought to account	120,218	408,226	120,218	408,226
Income tax expense/(benefit) attributable to operating profit	**597,607**	**618,224**	**(230,571)**	**618,230**
Current liabilities				
Current tax payable	764,901	416,918	764,901	416,918
Deferred tax assets and liabilities				
Future income tax benefit – non current				
Timing differences	671,204	450,213	671,204	450,213
Income Tax Losses				
Future income tax benefits not brought to account as assets				
Tax losses – revenue	50,030	1,116,954	50,030	1,116,954
Tax losses – capital	270,324	900,389	270,324	900,389
	320,354	2,017,343	320,354	2,017,343

Taxation benefits will only be obtained if the Company:

a) has future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
b) continues to comply with the conditions for deductibility imposed by income tax law; and
c) is not adversely affected by changes in income tax legislation in relation to the benefit from the deductions.

NOTE 6 RECEIVABLES

	Note	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	COMPANY 2005 $	COMPANY 2004 $
Current					
Client and dealer balances	6(a)	34,281,521	22,221,156	-	-
Provision for doubtful debts		(284,000)	(266,000)	-	-
		33,997,521	21,955,156	-	-
Sundry debtors	6(a)	794,612	1,402,405	-	62,278
Unsecured loans	6(a)	52,177	49,440	-	-
Amounts other than trade debts receivable from related parties:					
Directors and director related entities					
- directors	20	5,000	-	-	-
- director-related	20	-	36,781	-	-
Other related parties					
- associated companies	20	-	555,934	-	-
		34,849,310	**23,999,716**	**-**	**62,278**
Non-current					
Amounts receivable from related parties:					
Wholly-owned group					
- controlled entities	20	-	-	5,455,197	4,952,204
		-	**-**	**5,455,197**	**4,952,204**

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Client and dealer balances are on 3 business day terms and are interest bearing at the ANZ reference rate plus 2% on all balances overdue (ie T+3).

(ii) Sundry debtors are non-interest bearing.

(iii) Unsecured loans are payable within 12 months and are generally interest bearing at the ANZ reference rate plus 2%.

(iv) Details of the terms and conditions of related party receivables are set out in note 20.

NOTE 7 OTHER ASSETS

	CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	COMPANY 2005 $	COMPANY 2004 $
Current				
Prepayments and other debtors	149,702	230,721	-	-
	149,702	**230,721**	**-**	**-**
Non-current				
Expenditure carried forward:				
ASX membership fee	125,000	125,000	-	-
Capitalised costs	187,192	187,192	-	-
	312,192	312,192	-	-
Accumulated amortisation	(312,192)	(241,433)	-	-
	-	**70,759**	**-**	**-**

		CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		$	$	$	$
NOTE 8 FINANCIAL ASSETS					
Current					
Shares listed on a prescribed stock exchange at market value		233,377	610,763	-	-
Shares listed on a prescribed stock exchange at cost	8(a)	-	188,131	-	-
		233,377	**798,894**	-	-
Non-current - at cost					
Shares in controlled entities	8(b)	-	-	7,280,664	7,280,664
Provision for diminution		-	-	(5,630,663)	(5,630,663)
		-	-	1,650,001	1,650,001
Investment Property Units – Grosvenor	8(c)	-	742,403	-	-
Provision – Writedown	8(c)	-	(101,130)	-	-
Shares in other corporations	8(d)	1,218,202	1,284,402	-	-
		1,218,202	**1,925,675**	**1,650,001**	**1,650,001**

(a) Included in listed shares are a parcel of Medical Monitors Ltd, an ASX listed stock, which were the subject of a sub-underwriting shortfall. These shares have been valued at cost.

(b) Investments in controlled entities are unquoted and comprise:

	Class of Share	2005 % Holding	2005 $	2004 % Holding	2004 $
William Noall Holdings Limited	Ordinary	100	1,650,000	100	1,650,000
Alliance Properties (Cairns) Pty Limited	Ordinary	100	1	100	1
Tolhurst Securities Ltd	Ordinary	100	5,630,663	100	5,630,663
Provision for diminution			(5,630,663)		(5,630,663)
			1,650,001		1,650,001

All subsidiaries are incorporated in Australia

(c) The fair value of the units has been determined by reference to a directors' valuation. The valuation is performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable seller in an arms length transaction at the valuation date. With respect to security refer to note 11(a)

(d) Other investments

The shares in other corporations include:

- The consolidated entity holds 20% (2004:20%) ownership interest in Carroll Pike & Piercy Pty Ltd. The carrying amount of this investment at 30 June 2005 is $1,200,000 (2004: $1,200,000). Carroll Pike & Piercy Pty Ltd provide fund management services.
- The consolidated entity holds 20% (2004:20%) ownership interest in Henderson Gregory Forrest Pty Ltd. The carrying amount of this investment at 30 June 2005 is $18,202 (2004: $14,402).
- The consolidated entity holds 31% (2004:20%) ownership interest in Tolhurst Waverley & Staff Pty Ltd. The carrying amount of this investment at 30 June 2004 was $20,000. At 30 June 2005 this investment has been included in Note 8 as an Investment Accounted for using the Equity Method.

NOTE 8 FINANCIAL ASSETS (cont)

(e) Deeds of cross-guarantee between William Noall Holdings Ltd and Tolhurst Noall Group Ltd have been enacted and relief was obtained from preparing a financial report for William Noall Holdings Ltd under ASIC Class Order 98/1418. Under the deeds, Tolhurst Noall Group Ltd guarantees to support the liabilities and obligations of William Noall Holdings Ltd.

Tolhurst Noall Group Ltd and William Noall Holdings Ltd belong to the Closed Group. "Closed Group" being the holding entity and wholly owned entities which are parties to the deed of cross-guarantee. The "parties to the deed of cross guarantee" are the same as the Closed Group mentioned above.

	Closed Group
Financial information in relation to:	
(i) Statement of financial performance	
Profit from ordinary activities before income tax	-
Income tax benefit relating to ordinary activities	(230,571)
Profit from ordinary activities after income tax benefit	230,571
Total changes in equity other than those resulting from transactions with owners as owners	230,571
(ii) Retained Profits	
Accumulated losses at the beginning of the financial year	(13,635,751)
Profit from ordinary activities after income tax benefit	230,571
Accumulated losses at the end of the financial year	(13,405,180)
(iii) Statement of Financial Position	
NON-CURRENT ASSETS	
Receivables	2,052,546
Financial assets	6,740,063
Deferred tax asset	671,204
TOTAL NON-CURRENT ASSETS	9,463,813
TOTAL ASSETS	9,463,813
CURRENT LIABILITIES	
Payables	217,000
Current tax liabilities	764,901
TOTAL CURRENT LIABILITIES	981,901
NON-CURRENT LIABILITIES	
Payables	92,214
Interest bearing liabilities	750,000
TOTAL NON-CURRENT LIABILITIES	842,214
TOTAL LIABILITIES	1,824,115
NET ASSETS	7,639,698
EQUITY	
Contributed equity	21,044,878
Accumulated losses	(13,405,180)
	7,639,698

		CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
		$	$	$	$
NOTE 9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associates	9(iii)	75,668	-	-	-

(a) **Interest in associates**

Name	**Balance date**	**Ownership interest 2005**	**Ownership interest 2004**
Tolhurst Waverley & Staff Pty Ltd	30 June	31%	20%

(i) Principal activity
Tolhurst Waverley & Staff Pty Ltd provides broking services.

	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
	$	$	$	$
(ii) Share of associate's profits/(losses)				
Share of associate's:				
- Net profit from ordinary activities before income tax expense	31,192	-	-	-
- Income tax expense	10,443	-	-	-
Share of associate's net losses from ordinary activities after income tax	20,749	-	-	-
Adjusted for: profit on disposal of associate	-	627,104	-	-
Adjusted for: first time equity accounting of associate	(9,581)	-	-	-
Share of associate's net profits	11,168	627,104	-	-
(iii) Carrying amount of investment in associate				
Balance at beginning of the financial year	-	1,122,897	-	-
- share of associate's net profits for the financial year	11,168	-	-	-
- dividends received	(3,500)	-	-	-
- new equity accounted investment	68,000	-	-	-
- disposal of investment	-	(1,122,897)	-	-
Carrying amount of investment in associate at the end of the financial year	75,668	-	-	-
(iv) Share of associate's assets and liabilities				
Current assets	92,869	-	-	-
Non current assets	15,171	-	-	-
Current liabilities	(53,461)	-	-	-
Net assets	54,579	-	-	-
(v) Accumulated profits of the consolidated entity attributable to associate				
Balance at the beginning of the financial year	-	(627,104)	-	-
Share of associate's net profits	11,168	-	-	-
Dividends received	(3,500)			
Disposal of investment	-	627,104	-	-
Balance at the end of the financial year	7,668	-	-	-

	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
	$	$	$	$
NOTE 10 PROPERTY, PLANT & EQUIPMENT				
Plant and equipment – cost	3,720,842	3,795,699	-	-
Accumulated depreciation	(2,972,264)	(2,848,128)	-	-
	748,578	947,571	-	-
Leased plant and equipment – at cost	192,252	192,252	-	-
Accumulated depreciation	(105,063)	(40,904)	-	-
	87,189	151,348	-	-
	835,767	**1,098,919**	**-**	**-**

Reconciliations of the carrying amounts of property, plant and equipment

	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
Plant and Equipment:				
Carrying amount at beginning	947,571	1,190,526	-	-
Additions	271,658	324,497	-	-
Depreciation expense	(470,651)	(552,606)	-	-
Disposals	-	(14,846)	-	-
	748,578	947,571	-	-
Leased Plant and Equipment:				
Carrying amount at beginning	151,348	-	-	-
Additions	-	192,252	-	-
Depreciation expense	(64,159)	(40,904)	-	-
	87,189	151,348	-	-

Assets pledged as security Refer Note 12a

NOTE 11 PAYABLES

	Note	CONSOLIDATED 2005	CONSOLIDATED 2004	COMPANY 2005	COMPANY 2004
Current					
Client and dealer balances payable	11(a)	32,425,591	22,271,456	-	-
Other creditors and accruals	11(a)	5,506,087	4,978,226	202,000	219,462
Amounts payable to related parties:					
Directors and director related entities					
- director related	20	58,219	153,252	15,000	15,000
Other related parties					
- associated companies	20	74,589	201,444	-	-
		38,064,486	**27,604,378**	**217,000**	**234,462**
Non-current					
Amounts receivable from related parties:					
Wholly-owned group					
- controlled entities	20	-	-	92,214	-
		-	**-**	**92,214**	**-**

(a) Terms and conditions
Terms and conditions relating to the above financial instruments:
(i) Client and dealer balances payable are non-interest bearing and on 3 business day terms.
(ii) Other creditors and accruals are non-interest bearing and are normally settled within 30 days.
(iii) Details of terms and conditions of related party payables are set out in note 20.

NOTE 12 INTEREST BEARING LIABILITIES

		CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	COMPANY 2005 $	COMPANY 2004 $
Current					
Bank overdraft	12(a)(i)(ii)	54,691	60,032	-	-
Loan - secured	12(a)(iii)	1,500,000	1,500,000		
Subordinated loan	12(a)(v)	340,000	-	-	-
Lease liability	12(a)(iv)	69,074	63,875	-	-
		1,963,765	**1,623,907**	**-**	**-**
Non-current					
Subordinated loans	12(a)(v)	1,482,284	1,822,284	-	-
Lease liability	12(a)(iv)	24,287	93,361	-	-
Unsecured Loans:			-		
- directors	12(a)(v)	450,000	450,000	-	-
- director related	12(a)(v)	286,000	300,000	-	-
- staff related	12(a)(v)	14,000	-	-	-
		2,256,571	**2,665,645**	**-**	**-**

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) The bank overdraft is secured by first registered Company charges (Mortgage Debentures) over all the assets and undertakings of Tolhurst Noall Group Ltd and Tolhurst Noall Limited. Interest on non-approved excesses and overdue amounts are charged at the Bank's Reference rate plus 4% per annum.

(ii) The Company has signed a Corporate Guarantee and Indemnity (dated 29 June 2004), unlimited as to amount, by Tolhurst Noall Group Ltd as surety on account of Tolhurst Noall Limited.

(iii) The secured loan has been provided by a Company associated with one of the Arbitrage Joint Venture partners to provide cash to cover funding gaps of the arbitrage business. The loan is secured over shares purchased in the name of Melshare Nominees Pty Ltd (a wholly owned subsidiary of Tolhurst Noall Limited) up to the amount of the full drawdown value of the loan. Interest is payable on the daily loan balance at the BankWest 90 day bank bill rate plus 2% per annum.

(iv) Lease liabilities are secured via a charge over the assets to which they relate. The average interest rate implicit in the liability is 8% and the average repayment term is 4 years.

(v) Subordinated and Unsecured loans are interest bearing at an average rate of 12%. There is no agreed repayment term. Subordinated debt loans are repayable at call subject to approval from ASX and ANZ. Unsecured loans are only repayable upon Board approval but each of the Unsecured loans is party to a parri pasu repayment arrangement. Refer note 20.

NOTE 13 PROVISIONS

		CONSOLIDATED 2005 $	CONSOLIDATED 2004 $	COMPANY 2005 $	COMPANY 2004 $
Current					
Employee entitlements	19	531,315	584,371	-	-
		531,315	**584,371**	**-**	**-**
Non-current					
Other – claims and penalties	13(a)	809,000	500,000	-	-
Employee entitlements	19	50,763	19,876	-	-
		859,763	**519,876**	**-**	**-**

(a) The non-current claims and penalties provision exists to cover reported and non-reported client claims, fines, penalties or other settlements incurred prior to 30 June 2005. Any ultimate recovery in relation to these provisions is not currently known or measurable.

		CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		$	$	$	$
NOTE 14 CONTRIBUTED EQUITY					
Issued and paid up capital					
98,998,425 ordinary shares fully paid (2004: 98,948,425)	14(a)	**21,044,878**	**21,036,478**	**21,044,878**	**21,036,478**
(a) Movements in shares on issue					
Beginning of the financial year		21,036,478	19,072,490	21,036,478	19,072,490
Options exercised @ 16.8 cents		8,400	-	8,400	-
Allotted to Balgreggan @ 25 cents		-	260,000	-	260,000
Allotted to Balgreggan @ 4 cents		-	168,000	-	168,000
Allotment of rights issue @ 4 cents		-	707,988	-	707,988
Allotment of staff shares @ 20 cents	19	-	78,000	-	78,000
Allotment of share purchase plan @ 12 cents		-	750,000	-	750,000
End of the financial year		**21,044,878**	**21,036,478**	**21,044,878**	**21,036,478**
		No.	**No.**	**No.**	**No.**
Beginning of financial year		98,948,425	69,368,696	98,948,425	69,368,696
Options exercised		50,000	-	50,000	-
Allotted to Balgreggan		-	1,040,000	-	1,040,000
Allotted to Balgreggan		-	4,200,000	-	4,200,000
Alotment of rights issue		-	17,699,697	-	17,699,697
Allotment of staff shares		-	390,000	-	390,000
Allotment of share purchase plan		-	6,250,032	-	6,250,032
		98,998,425	98,948,425	98,998,425	98,948,425

(b) Terms and condition of contributed equity
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.
Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(c) Share options
During the financial year, no options were issued over ordinary shares.

Unissued shares
As at the date of this report, there were 9,654,000 unissued ordinary shares under options as follows:

- 3,650,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.25. The options expire on 21 November 2005
- 234,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.298. The options expire on 25 July 2006.
- 2,370,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.218. The options expire on 31 December 2006. Of these options, 1,777,500 have now vested with 592,500 to vest 31 December 2005.
- 3,400,000 options to take up one ordinary share in Tolhurst Noall Group Ltd at an issue price of $0.25. The options expire on 21 November 2007.

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$

NOTE 15 ACCUMULATED LOSSES

Balance at the beginning of year	(12,220,416)	(15,046,941)	(14,573,162)	(14,764,677)
Net profit attributable to members of the group	2,106,998	2,826,525	230,571	191,515
Balance at end of year	**(10,113,418)**	**(12,220,416)**	**(14,342,591)**	**(14,573,162)**

NOTE 16 AUDITORS' REMUNERATION

Amounts received or due and receivable by the Auditors of the Company for:				
- an audit of the financial reports of the entity and any other entity in the consolidated entity	76,020	62,233	-	12,000
- other services	225,993	90,137	-	5,530
	302,013	**152,370**	**-**	**17,530**

NOTE 17 CAPITAL AND LEASING COMMITMENTS

Finance Lease Commitments				
- Not later than 1 year	73,953	73,953	-	-
- Later than 1 year but not later than 5 years	24,651	98,603	-	-
- Later than 5 Years	-	-	-	-
Minimum lease payments	98,604	172,556	-	-
Less future finance charges	5,243	15,320	-	-
Total Lease Liability	**93,361**	**157,236**	**-**	**-**

The finance lease relates to computer hardware and is a four-year lease.

Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
- Not later than 1 year	1,614,435	1,829,580	-	-
- Later than 1 year but not later than 5 years	3,517,099	4,673,860	-	-
- Later than 5 Years	-	71,896	-	-
	5,131,534	**6,575,336**	**-**	**-**

These payments represent amounts owing on operating lease agreements for premises occupied by and office equipment utilised by the controlled entities. The lease terms vary from 0 to 6 years.

NOTE 18 COMPANY DETAILS

The registered office and principle place of business of the Company is:
Tolhurst Noall Group Ltd
Level 29, 35 Collins Street
MELBOURNE VIC 3000

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$
NOTE 19 EMPLOYEE BENEFITS				
The aggregate of employee benefits liability is comprised of:				
Accrued wages, salaries and on costs	1,217,576	1,260,307	200,000	200,000
Provisions – current	531,315	584,371	-	-
Provisions – non-current	50,763	19,876	-	-
	1,799,654	**1,864,554**	**200,000**	**200,000**
Number of employees and advisors at year end	195	175	-	-

Employee/Advisor share option arrangement:
An employee/advisor share option scheme has been established where employees/advisors of the consolidated entity are issued with options over the ordinary shares of Tolhurst Noall Group Ltd. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Tolhurst Noall Group Ltd. The options cannot be transferred and will not be quoted on the ASX. All employees/advisors are eligible to be considered for this scheme.

Details of share options outstanding as at 30 June 2005:
- 130,100 (2004: 130,100) options with an exercise price of 43.8 cents
- 150,000 (2004: 150,000) options with an exercise price of 71.8 cents
- 3,650,000 (2004: 4,000,000) options with an exercise price of 25 cents
- 234,000 (2004: 234,000) options with an exercise price of 29.8 cents
- 2,370,000 (2004: 2,616,000) options with an exercise price of 21.8 cents
- 3,400,000 (2004: 3,400,000) options with an exercise price of 25 cents

Expiry dates are 14 August 2005, 21 August 2005, 21 November 2005, 25 July 2006, 31 December 2006 and 21 November 2007 respectively.

During the year two (2) series of options expired totalling 900,000 options, (2004: Nil).
During the year 50,000 options were exercised under the Employee Option Scheme, (2004: nil).
During the year 596,000 Options lapsed as a result of employment ceasing for particular employees, (2004: 123,000).
The value of the employee option scheme is not being charged as an employee entitlement expense.

Employee share arrangement:
A Staff Share Plan has been established whereby eligible employees of the consolidated entity are issued with up to $1,000 of ordinary shares of Tolhurst Noall Group Ltd at the discretion of the Board. All employees are eligible to be considered for this scheme. The shares, issued for nil consideration, may not be disposed of by the employee until the earlier of:
(i) the end of the period of 3 years commencing at the time of acquisition of the Shares by the employee;
(ii) the time when the employee is no longer employed by the Company; and
(iii) the end of such other period or such other circumstances as determined by the Board.

During the year no shares were issued pursuant to the Staff Share Plan (2004: 390,000)
At 30 June 2005 there are 521,000 shares on issue under the Staff Share Plan (2004: 563,500).
The value of the employee share scheme is being charged as an employee entitlement expense (2005: $nil; 2004 $78,000).
The shares have the same dividend and voting rights attaching to ordinary shares as disclosed in Note 13.

NOTE 20 RELATED PARTY INFORMATION

Directors
The names of directors who have held office during the financial year are:

David Browne	Peter Reilly	Andrew McDouall	Matthew Wigzell
Craig Graham-Smith	Russell McKimm	Peter Chapman	John Harry
John Wilson	Peter Leigh	Ian Johnson	

Interests in Tolhurst Noall Group Ltd:
Included in directors shareholdings are beneficial interest held via related companies as disclosed.

Balgreggan Financial Investments Limited, a Company controlled by Mr McDouall holds 2,666,737 shares (2004: 8,241,667)
Tartan Securities Limited, a Company controlled by Mr McDouall holds nil shares (2004: 103,070 shares)
Dominion Finance Group Limited (now a substantial shareholder) has loaned money to Tartan Securities and Mr McDouall and for loan security purposes, has transferred 5,678,000 shares (2004: Nil) into its own name. Tartan Securities and Mr McDouall have a right to repurchase these shares in accordance with a Share Purchase Agreement.

Daptha Pty Ltd, a Company controlled by Mr Browne and Mr Reilly holds 19,700,686 shares (2004: nil shares).
The third director and shareholder of Daptha Pty Ltd, Mr Hamish Giles, has been appointed an adviser to the Board of Tolhurst Noall Group Ltd and earns fees for his work through a company, Salmon Giles Pty Ltd. Fees paid in respect to this appointment are paid on an arms length commercial basis . Invoices paid and accrued for Salmon Giles for year ended 30 June 2005 amount to $19,061 (2004: $nil).

During the year, Tolhurst Noall Limited acted as broker for transactions conducted on behalf of directors and director controlled entities. These transactions involved the purchase and sale of shares and were conducted under normal trading terms and conditions.

Morshead Pty Ltd, a company related to Mr Wigzell, earned commissions from Tolhurst Noall of $324,700 during the financial year .

During the year, Mr Wigzell/Morshead Pty Ltd and McDouall Stuart Securities Ltd (a company related to Mr McDouall) provided sub-underwriting. The Related Party Transactions Sub-Committee approved all such transactions.

No other benefits have been received or are receivable by directors, other than those already disclosed in the notes to the financial statements.

Tolhurst Noall Group Ltd is the ultimate parent entity.

		CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		$	$	$	$
Transactions with controlled entities/directors/employees					
Wholly owned group					
Loan to APL (Cairns) Pty Ltd	1)	-	-	588,003	620,451
Loan to William Noall Holdings Limited	1)	-	-	4,867,194	3,353,140
Loan to Tolhurst Securities Ltd	1)	-	-	(92,214)	978,613
Associated companies					
Loan to Carroll, Pike and Piercy Pty Ltd	1)	-	150,000	-	-
Loan to Tolhurst Funds Management P/L	1)	-	405,934	-	-
Loan from Carroll, Pike and Piercy Pty Ltd	1)	(46,811)	(46,352)	-	-
Loan from Henderson, Gregory & Forrest Pty Ltd	1)	(27,778)	(155,092)	-	-

NOTE 20 RELATED PARTY INFORMATION (cont.)

		CONSOLIDATED		COMPANY	
		2005	2004	2005	2004
		$	$	$	$
Unsecured Loans					
Dorcan Pty Ltd **	1)	(15,000)	(15,000)	(15,000)	(15,000)
TM Edwards	2)	(200,000)	(200,000)	-	-
RA McKimm	2)	(100,000)	(100,000)	-	-
BJ & JK Dunn ****	2)	(30,000)	(30,000)	-	-
MA Wigzell ****	2)	(70,000)	(70,000)	-	-
GL Leigh ****	2)	(50,000)	(50,000)	-	-
Loquela Pty Ltd *	2)	(200,000)	(200,000)	-	-
Dorcan Pty Ltd **	2)	(50,000)	(50,000)	-	-
Tamanich Securities Pty Ltd *	2)	(36,000)	(36,000)	-	-
Katarina Corp Pty Ltd *****	2)	(14,000)	(14,000)	-	-
Success in Planning Pty Ltd *	1)	(43,219)	(40,000)	-	-
Minapet Finance Pty Ltd *	1)	-	(45,000)	-	-
Pensive Investments Pty Ltd ***	1)	-	(53,252)	-	-
Loan to directors & director related entities					
MA Wigzell	3)	5,000	-	-	-
Success in Planning Pty Ltd *	1)	-	36,781	-	-
Subordinated debt					
I M Johnson & entities related to I M Johnson	2)	(699,000)	(699,000)	-	-
T M Edwards	2)	(533,284)	(533,284)	-	-
C Graham-Smith	2)	(340,000)	(340,000)	-	-
R McKimm	2)	(250,000)	(250,000)	-	-

* entities controlled by I M Johnson
** entity controlled by P F Chapman
*** entity controlled by I M Johnson & T M Edwards
**** entities and persons associated with directors of Tolhurst Noall Ltd
***** entity controlled by staff member and former director of Tolhurst Noall Ltd

1) There is no interest charge or fixed repayment term on the loan.
2) Interest is charged at 12% and there is no fixed repayment term on the loans. Subordinated debt loans are repayable at call subject to approval from ASX and ANZ. Unsecured loans are only repayable upon Board approval but each of the Unsecured loans is party to a parri pasu repayment arrangement.
3) During the 2005 year the Group advanced funds of $35,000 to Mr Wigzell. Interest is charged at 12%. The loan was fully repaid in August 2005.

NOTE 21 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	CONSOLIDATED	
	2005	2004
	$	$
Earnings used in calculating basic and diluted earnings per share	2,106,998	2,826,525
Weighted average number of shares used to calculate basic earnings per share	98,965,137	82,980,259
Effect of diluted securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	98,965,137	82,980,259

There are no potential ordinary shares outstanding at 30 June 2005 that are dilutive as the exercise prices on the 9,654,000 options are greater than the market price of the shares. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$

NOTE 22 STATEMENT OF CASH FLOWS

i) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	8,361,671	8,384,434	-	-
Trust Account	8,977,360	5,271,826	-	-
	17,339,031	13,656,260	-	-
Bank overdraft	(54,691)	(60,032)	-	-
	17,284,340	**13,596,228**	**-**	**-**

	CONSOLIDATED		COMPANY	
	2005	2004	2005	2004
	$	$	$	$

NOTE 22 STATEMENT OF CASH FLOWS (cont.)

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	2,106,998	2,826,525	230,571	191,515
Depreciation	534,810	593,510	-	-
Other amortisation costs	70,759	77,549	-	-
Decrement/(increment) in value of investments	94,476	(76,663)	-	-
Net (profit) / loss on disposal of financial assets	213,260	(78,286)	-	(24,728)
Net (profit) / loss on disposal of property, plant and equipment	-	(7,038)	-	-
Provision for diminution of investment in controlled entities	-	-	-	(1,650,000)
Profit/(loss) on equity accounting	(7,668)	(627,104)	-	-
Net loss on wind up of group companies	-	-	-	255,132
Changes in assets & liabilities net of effects from acquisition/disposal of controlled entities				
Debtors	11,725	3,376,279	62,278	-
Prepayments and sundry debtors	118,030	(140,652)	-	-
Payables	(1,581,943)	(383,426)	(17,462)	121,117
Provisions	314,620	806,195	170,492	618,230
Net cash provided by operating activities	**1,875,067**	**6,366,889**	**445,879**	**(488,734)**

(iii) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

Total facilities:				
- asset finance revolving	212,000	212,000	-	-
- bank loans	-	-	-	-
- bank overdraft	-	-	-	-
- credit card facility	50,000	40,000	-	-
- foreign currency dealing limit	20,000	20,000	-	-
- indemnity guarantee	1,348,000	1,398,000	-	-
Facilities used at balance date:				
- asset finance revolving	93,608	172,556	-	-
- bank loans	-	-	-	-
- bank overdraft	54,691	373,426	-	-
- less unpresented cheques	(54,691)	(373,426)	-	-
- bank overdraft utilized	-	-	-	-
- credit card facility	13,271	-	-	-
- foreign currency dealing limit	-	-	-	-
- indemnity guarantee	1,237,508	1,347,508	-	-
Facilities unused at balance date:				
- asset finance revolving	118,392	39,444	-	-
- bank loans	-	-	-	-
- bank overdraft	-	-	-	-
- credit card facility	36,729	40,000	-	-
- foreign currency dealing limit	20,000	20,000	-	-
- indemnity guarantee	110,492	50,492	-	-

NOTE 23 SEGMENT INFORMATION

Segment products and locations
The consolidated entities operating companies are organised and managed separately according to the nature of products and services that they provide, with each segment offering different products and serving different markets.

The primary segment, stockbroking, provides extensive knowledge of overseas and Australian equity markets to a mix of institutional and private clients.
Funds management provides investment services to domestic and international clients.
The group invests in property with the intention of generating capital profits and rental returns.

Geographically the Group operates within Australia.

Segment accounting policies
The group does not undertake any inter segment sales and transfers. Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on segment information.

Business Segments	**Stockbroking**		**Funds Management**		**Property Investment**		**Consolidated**	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**	**2005 $'000**	**2004 $'000**
Revenue								
Revenue outside the economic entity	37,360	35,092	781	995	679	145	38,820	36,232
Share of net profit of equity accounted investment	11	-	-	627	-	-	11	627
Total segment revenue	37,371	35,092	781	1,622	679	145	38,831	36,859
Result								
Segment result	2,859	2,855	(178)	530	23	60	2,705	3,445
Unallocated expenses							-	-
Consolidated entity profit from ordinary activities before income tax							2,705	3,445
Income tax expense							(598)	(618)
Net profit from ordinary activities							2,107	2,827
Assets								
Segment assets	54,579	40,035	-	1,377	793	914	55,372	42,231
Unallocated assets							-	-
Total assets							**55,372**	**42,231**
Liabilities								
Segment liabilities	44,417	33,321	24	94	-	-	44,441	33,415
Unallocated liabilities							-	-
Total liabilities							**44,441**	**33,415**
Other segment information								
Depreciation & amortisation	606	671	-	-	-	-	606	671
Acquisition of Property plant and equipment	272	517	-	-	-	-	272	517

NOTE 24 SUBSEQUENT EVENTS

There have been no events, other than noted elsewhere occurring after balance date that materially affect the financial statements as at 30 June, 2005.

NOTE 25 FINANCIAL INSTRUMENTS

25 (a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate
	2005 **$**	**2005** **$**	**2005** **$**	**2005** **$**	**2005** **%**
(i) Financial assets					
Cash	9,549,031	7,790,000	-	17,339,031	4.9
Trade debtors	-	-	33,997,521	33,997,521	N/A
Sundry debtors	-	-	794,613	794,613	N/A
Listed Shares	-	-	233,377	233,377	N/A
Unlisted shares	-	-	1,286,202	1,286,202	N/A
Total financial assets	**9,549,031**	**7,790,000**	**36,311,713**	**53,650,744**	
(ii) Financial liabilities					
Bank overdraft	54,691	-	-	54,691	0.0
Current Payables	-	-	33,425,591	33,425,591	N/A
Other creditors and accruals	-	-	5,506,087	5,506,087	N/A
Subordinated loans	1,822,284	-	-	1,822,284	12.0
Loans – Related parties	750,000	-	132,808	882,808	12.0
Loans – Secured	1,500,000	93,361	-	1,593,361	7.0
Total financial liabilities	**4,126,975**	**93,361**	**39,064,486**	**43,284,822**	

NOTE 25 FINANCIAL INSTRUMENTS (cont)

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Non-interest bearing	Total carrying amount as per the statement of financial position	Weighted average effective interest rate
	2004 $	2004 $	2004 $	2004 $	2004 %
(i) Financial assets					
Cash	1,844,434	6,540,000	5,271,826	13,656,260	2.96
Trade debtors	-	-	21,955,157	21,955,157	N/A
Sundry debtors	-	-	1,402,405	1,402,405	N/A
Listed Shares	-	-	798,894	798,894	N/A
Investment in Grosvenor	-	-	641,273	641,273	N/A
Unlisted shares	-	-	1,284,402	1,284,402	N/A
Total financial assets	**1,844,434**	**6,540,000**	**31,353,957**	**39,738,391**	
(ii) Financial liabilities					
Bank overdraft	60,032	-	-	60,032	0.0
Current Payables	-	-	23,771,456	23,771,456	N/A
Other creditors and accruals	-	-	4,978,226	4,978,226	N/A
Subordinated loans	1,822,284	-	-	1,822,284	12.0
Loans – Related parties	750,000	-	354,696	1,104,696	12.0
Loans – Secured	1,500,000	157,235	-	1,657,235	7..0
Total financial liabilities	**4,132,316**	**157,235**	**29,104,378**	**33,393,929**	

25(b) Net Fair Value

The carrying values of financial assets and liabilities approximate fair values.
The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term to maturity.
Trade receivables, trade creditors: The carrying amount approximates fair value.
Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.
Long-term borrowings: Long-term borrowings are stated at carrying values except for employee entitlements which are estimated using discounted cash flow analysis based on current incremental borrowing rates.
Long-term financial assets: A reasonable estimate of the fair value is determined by reference to the underlying net asset base of the controlled entity.

25(c) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

NOTE 26 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Tolhurst Noall Group Ltd is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. Management and the AIFRS Committee have assessed the significance of these changes and identified key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Tolhurst Noall Group's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Tolhurst Noall Group prepares its first fully compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimate of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work by the AIFRS committee; (b) potential amendments to AIFRSs and Interpretations being issued by the standard setters and IFRIC (International Financial Reporting Interpretations Committee), and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

		CONSOLIDATED		COMPANY	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
Total equity under AGAAP		**10,931,460**	**8,816,062**	**6,702,287**	**6,463,316**
Adjustments to retained earnings (net of tax)					
Recognition of share-based payment expense	(i)	(118,200)	(18,700)	-	-
Tax effect of existing asset revaluations	(iii)	210,623	150,852		
Net adjustment to retained earnings		92,423	132,152	-	-
Adjustments other reserves (net of tax)					
Recognition of share-based payment expense	(i)	118,200	18,700	118,200	18,700
Revaluation of financial assets to fair value	(ii)	725,060	267,300	-	-
Tax effect of existing asset revaluations	(iii)	(211,500)	(211,500)	-	-
Net adjustment to other reserves		631,760	74,500	118,200	18,700
Total equity under AIFRS		**11,655,643**	**9,022,714**	**6,820,487**	**6,482,016**

* This column represents the adjustments at the date of transition to AIFRS

** This column represents the cumulative adjustments as the date of transition to AIFRS and those for the year ended 30 June 2005

NOTE 26 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (cont)

(i) Under AASB 2 *Share Based Payments*, the Company would recognize the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognized under AGAAP.

(ii) Under AASB139 *Financial Instruments: Recognition and Measurement*, the Company would measure financial assets and liabilities at fair value through profit or loss. This requires the revaluation of the investments in Carroll, Pike & Piercy Pty Ltd and in Henderson Gregory Forrest Pty Ltd to fair value. These investments are currently held at directors' valuation and at cost, respectively.

(iii) AASB112 *Income Taxes* requires the Group to use the balance sheet liability method, rather than the current income statement method which recognizes deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to revalued and amortised assets. Under AGAAP, the tax effects of asset revaluations and amortisation are not recognised.

The above changes will result in an increase in deferred tax liability under AIFRS as follows:

	CONSOLIDATED		COMPANY	
	30 June 2005**	**1 July 2004***	**30 June 2005****	**1 July 2004***
Adjustments to retained earnings:				
Tax effect of loans written off for accounting purposes (iii) above	(86,353)	(86,353)	-	-
Tax effect of amortisation of capitalised assets (iii) above	(111,459)	(93,231)	-	-
Tax effect of revalued listed securities (iii) above	(12,811)	28,732	-	-
	(210,623)	(150,852)	-	-
Adjustments to reserves:				
Revaluation of financial assets to fair value (ii) above	310,740	114,500	-	-
Tax effect of existing asset revaluations (iii) above	211,500	211,500	-	-
	522,240	326,000	-	-
Net increase in deferred tax liability**	311,617	175,148	311,617	175,148

** As the Company is the nominated member of the consolidated tax group it recognises the deferred tax liability in its books but under the tax sharing agreement the adjustments to reserves and retained earnings have been recognised in the books of the appropriate entity.

(b) Reconciliation of net profit under AGAAP to that under AIFRS

		CONSOLIDATED 30 June 2005	COMPANY 30 June 2005
Net profit as reported under AGAAP		**2,106,998**	**230,571**
Share based payment expense	(i)	(99,500)	-
Adjustment to income tax expense	(ii)	59,771	-
Net profit under AIFRS		**2,067,269**	**230,571**

(i) Under AASB 2 *Share Based Payments*, the Company would recognize the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognized under AGAAP.

(ii) The adjustment to income tax expense relates to the above AIFRS adjustments.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

TOLHURST NOALL GROUP LTD

DIRECTORS DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

The directors of the Company declare that:

1. the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, and:

   (i) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

   (ii) comply with Accounting Standards and Corporations Regulations 2001;

2. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act for the financial period ending 30 June 2005;

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

This declaration is made in accordance with a resolution of the Board of Directors.

DAVID W. BROWNE
EXECUTIVE CHAIRMAN

PETER T. REILLY
DIRECTOR

Dated at Melbourne this 23rd day of September 2005.

INDEPENDENT AUDIT REPORT
TO MEMBERS OF
TOLHURST NOALL GROUP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tolhurst Noall Group Limited (the company) and Tolhurst Noall Group Limited & Controlled Entites (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Moore Stephens ABN 39 533 589 331
14th Floor, 607 Bourke Street, Melbourne, Victoria, 3000 Australia
Telephone: +61 3 9614 4444 Facsimile: +61 3 9614 6039
Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au
A member of the Moore Stephens International Limited Group of Independent Firms
A separate partnership in Victoria

Daren L J. McDonald
Kevin W. Neville
Stephen J. O'Flynn
Robin C. Pennell
S. David Pitt
Grant M. Sincock
Jonathan C. Thomas

MOORE STEPHENS

Audit Opinion

In our opinion, the financial report of Tolhurst Noall Group Limited and Tolhurst Noall Group Limited & Controlled Entities is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Moore Stephens

MOORE STEPHENS
Chartered Accountants

S David Pitt
Partner
Melbourne, 23 September 2005

Moore Stephens ABN 39 533 589 331
14th Floor, 607 Bourke Street, Melbourne, Victoria, 3000 Australia
Telephone: +61 3 9614 4444 Facsimile: +61 3 9614 6039
Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au
A member of the Moore Stephens International Limited Group of Independent Firms
A separate partnership in Victoria

Additional Stock Exchange Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is completed as at 21 September 2005.

(a) Substantial Shareholders

The following shareholders have lodged a Notice of Substantial Shareholding in the Company.

Name of Holder of relevant interest	Number of Shares	%
Daptha Pty Ltd	19,700,686	19.90
Ian Meredith Johnson & Loquela Pty Ltd	10,605,270	10.71
Charmof Nominees Pty Ltd	9,999,999	10.10
Gerald Andrew McDouall	8,344,737	8.43
Keygrowth Trading Pty Ltd	7,268,508	7.34
Trevor Michael Edwards	6,613,097	6.68
Dominion Finance Group Limited	5,678,000	5.74
Tartan Securities Ltd	5,678,000	5.74

(b) Distribution of Shareholdings – Fully Paid Ordinary Shares

Size of holding		Number of shareholders	Number of shares
1	- 1,000	120	88,302
1,001	- 5,000	229	719,820
5,001	- 10,000	25	206,196
10,001	- 100,000	104	4,045,763
100,001	- and over	68	93,938,344
		546	98,998,425

(c) Top 20 Security Holders Ordinary Fully Paid Shares as at 21 September 2005

Name	Number of ordinary shares held	%
Daptha Pty Ltd	19,700,686	19.90
Ian Meredith Johnson & Loquela Pty Ltd	10,605,270	10.71
Charmof Nominees Pty Ltd	9,999,999	10.10
Keygrowth Trading Pty Ltd	7,268,508	7.34
Trevor Michael Edwards	6,613,097	6.68
Dominion Finance Group Limited	5,678,000	5.74
Roger Basil Coombes	4,705,403	4.75
Fexco Money Transfer Limited	3,942,725	3.98
Balgreggan Financial Investments Limited	2,666,737	2.69
Twelfth Vilmar Pty Ltd	2,195,745	2.22
Jat Meng Tsang	1,989,658	2.01
Russell Allan McKimm	1,569,800	1.59
James Grimaldi Perry	1,096,259	1.11
Peter Marfleet	1,055,129	1.07
D&D Nominees Pty Ltd	1,041,900	1.05
Peter Chapman	925,478	0.93
Ann Merrilyn Wood	881,603	0.89
Craig Anthony Graham-Smith	637,500	0.64
Barbara Ellen Fleischer	565,802	0.57
Peter Robert Ramsden	565,802	0.57
TOTAL TOP 20	**83,705,101**	**84.55**
Other shareholders	**15,293,324**	**15.45**
TOTAL SHAREHOLDERS	**98,948,425**	**100.00**