

Appendix 4E

1. Preliminary final report

Name of entity

Treasury Group Limited

ABN:

39 006 708 792

Report for the year ended

30 June 2005

2. Results for announcement to the market

Revenues from ordinary activities (<i>item 2.1</i>)	up/down	52%	to	A\$'000s \$46,654
Profit (loss) from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up/down	100%	to	\$12,521
Net profit (loss) for the period attributable to members (<i>item 2.3</i>)	up/down	100%	to	\$12,521
Dividends (<i>item 2.4</i>)				
A fully franked final dividend of 27.00 cents per share in respect of the financial year ended 30 June 2005 has been declared.				
Payment Date: 23 September 2005				
Fully franked interim dividend of 13.0 cents per share paid 23 March 2005.				
Fully franked final dividend in respect of the financial year ended 30 June 2004 of 25.0 cents per share paid 27 September 2004				
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	7 September 2005			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
For the details, please refer to the attached Financial Report for the year ended 30 June 2005. Also, please see attached Chairman Address for detailed commentary.				

3. Dividends (*item 6*)

	Date of payment	Total amount of dividend
Final dividend – year ended 30 June 2005	23 September 2005	\$5,943,391
Interim dividend – year ended 30 June 2005	23 March 2005	\$2,820,990
Final dividend – year ended 30 June 2004	27 September 2004	\$5,132,898

3. Dividends (item 6) (Cont'd)

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Final dividend: Current year	27.00¢	100%	-¢
Previous year	25.00¢	100%	-¢
Interim dividend: Current year	13.00¢	100%	-¢
Previous year	3.00¢	100%	-¢

4. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	159.3¢	88.8¢

5. The annual financial report is not subject to audit dispute or qualification. (item 17)

6. The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the attached 2005 annual report.

Periodic Disclosure Requirements Compliance Statement

- 1 An annual report for the year ended 30 June 2005 is provided with the Appendix 4E information.
- 2 The annual report has been prepared in accordance with Australian Accounting Standards.
- 3 The annual report and information provided in Appendix 4E uses the same accounting policies as those applied at 30 June 2004.
- 4 The Appendix 4E information gives a true and fair view of the matters disclosed in the annual financial report.
- 5 The Appendix 4E information is based on the annual financial report, which has been subject to audit.
- 6 The audit report or review by the auditor is provided with the annual financial report.

Sign here: Date: 29 August 2005
(Company Secretary)

Print name: Robert Kipp

Treasury Group Ltd

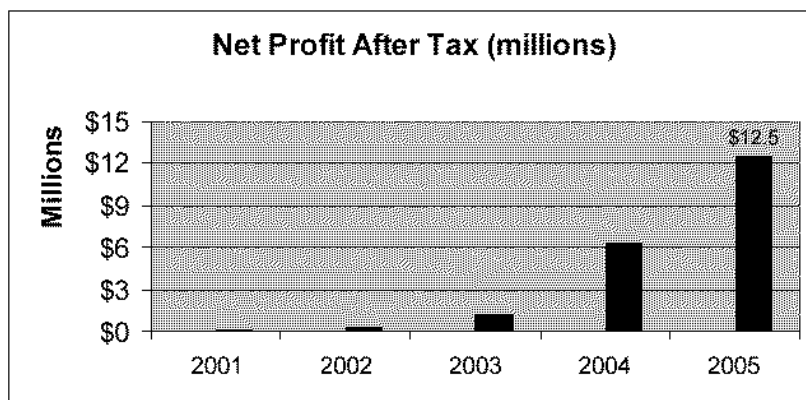
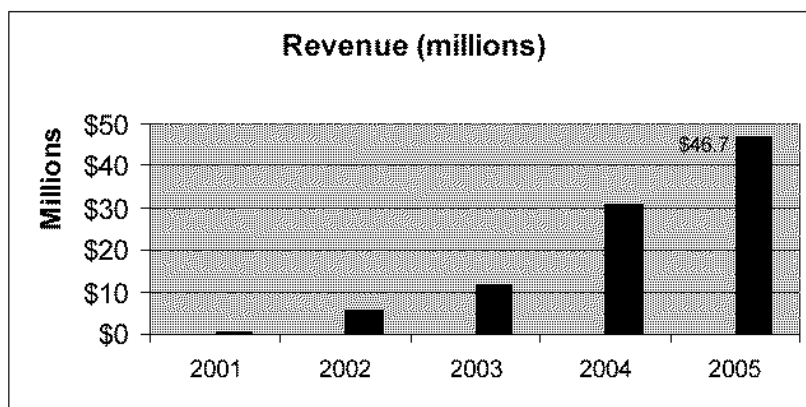
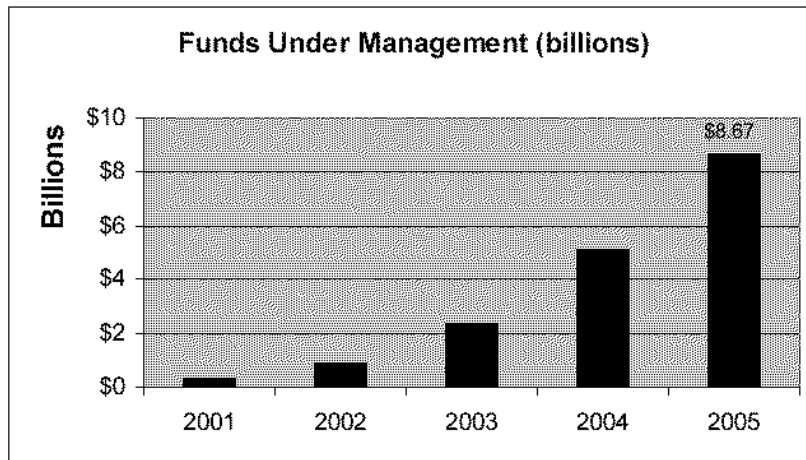
Chairmans' Report

The 2004/2005 financial year saw Treasury Group achieve a significant milestone in its corporate life. Our company was able to achieve very strong profit results across all our investment divisions. Treasury Group is now in a very sound strategic and financial position to maintain a consistent level of return for our shareholders. The continued growth in annual dividend distribution based on sound profit growth is core to Treasury Group's stated objectives.

Subsequently it is very pleasing to advise our shareholders with the following results:

- Revenue grew from \$30.7 million to \$46.7 million, an increase of 52 %.
- NPAT grew from \$6.3 million to \$12.5 million, an increase of 98 %.
- Funds under management increased from \$5.10 billion to \$8.7 billion, an increase of 71 %.
- Annual fully franked dividends grew from a total of 28 cents (3 cent interim and 25 cent final dividend payment) to 40 cents (13 cent interim and 27 cent final dividend), an increase of 43 %.

Treasury Group Ltd



During the year the company enjoyed the continued growth of all its investment divisions.

Treasury Group Ltd

Funds Under Management

The consistent and positive performance of all investments led to the company achieving the strong results as reported. All of Treasury Group's investments performed above expectations and contributed to the growth in overall profitability for the company.

Funds Under Management (FUM) at Investors Mutual Limited (IML) now exceeds \$5.5 billion assisted by a supportive retail client base and a strong domestic market. The IML Diversified Value Fund was launched during the year and has received positive feedback from the financial planning market. IML's strong value focus was tested during the year where market valuations experienced new highs. Continued support for IML's investment approach remains a positive characteristic of the business.

Global Value Investors (GVI), an IML and Treasury Group initiative, has got off to a good start with positive feedback from the financial planning market. GVI's Global Industrial Share Fund has struck a cord with investors seeking quality companies paying solid dividend yields and with strong franchises. Its concentrated portfolio is also appealing, making the product easy to understand.

Orion achieved strong growth in FUM over the year which now exceeds \$2.5 billion. Backed by solid investment returns and a quality client base Orion continues to be an outstanding success. With the platform now well established Orion has a bright future.

Confluence is now a profitable business that has succeeded in attracting a number of quality clients and has also performed above expectations. That said, the FUM growth has been managed to ensure performance continues in a market where valuations of smaller companies have risen sharply. Confluence is expected to grow funds under management from existing and new clients in the coming twelve months.

Treasury Asia Asset Management (TAAM) is a brand new business that will be managing funds from September 2005. Specialising in the management of regional Asian equity portfolios, TAAM is seeking clients from Europe, Asia and Australia.

Armytage Private performed well during the year and strengthened its relationship with ANZ Private Bank. The launch of the company's first pooled fund, the Armytage Special Opportunities Fund (ASOF), was a significant development during the year and represents an important avenue for growth in FUM.

Overall the year was characterised by a strong increase in FUM, developments within existing businesses and the exciting launch of two new businesses. Treasury Group Investment Services, a wholly owned subsidiary of Treasury Group, has strengthened its resources in the provision of legal, compliance, finance, accounting, HR, IT and general services to the fund managers.

Treasury Group Ltd

Treasury Group Investment Services Limited continued its excellent services to the company's fund managers during a very busy year where the company launched two new businesses, Global Value Investors Limited (GVI) and Treasury Asia Asset Management (TAAM), and also launched its first retail fund, Armytage Strategic Opportunities Fund (ASOF). Treasury Group Investment Services (TIS) is an integral part of the company's growth platform and a highly valuable asset.

Finally, and most importantly, is our approach to risk management. Some of the key risks include key man risk, regulatory risk, performance risk and market risk. Key man risk is managed through a strong focus on staff equity plans that form an important component of succession planning. Over the year we have placed increased effort in succession planning. Regulatory risk is managed through a dedicated team in our legal and compliance area. We secured additional senior resources in this area during the year. Performance risk arises when a manager underperforms over the long term. To date we have no long term underperforming managers. On performance we focus more on ensuring each manager is not diverting from their stated investment approach. Market risk is something we cannot control and we expect markets to rise and fall through various market cycles. Most importantly we have associated ourselves with active managers who by design are selecting investments for a strong active return over the long term.

In order to centralise the Managing Directors and Chief Financial Officers role in the same city it was recently decided to move the CFO role to Sydney. Robert Kipp has held the position of CFO over the past four years and has done an excellent job in leading the finance and accounting function over the period. However, Robert having taken into consideration family commitments has decided not to relocate to Sydney and will therefore resign from this position with the company. Robert's untiring efforts, his enthusiasm and his significant contribution to the development of Treasury Group are gratefully appreciated.

We are pleased to announce the appointment of Joseph Ferragina to the role of Chief Financial Officer. Joseph will assume the role in early October 2005 in the Sydney office.

Joseph is a qualified Chartered Accountant and has completed his Graduate Diploma in Applied Finance and Investment, and his Master of Applied Finance from Macquarie University. He is also a Fellow Member of the Taxation Institute of Australia. Joseph commenced his professional career within a Chartered Accounting firm where he spent seven years in business services and taxation before gaining specialist experience in a range of funds management companies including Colonial First State Investment Managers and AMP Henderson Global Investors Limited, which led him to his position as CFO with Ronin Funds Management, which was a spin-off from AMP.

Treasury Group Ltd

SUMMARY

During the recent year the company launched two new fund management businesses; GVI which will focus on broad international asset management and TAAM, which is a specialist fund manager focusing on the growing Asian markets. These initiatives continue to broaden the fund manager landscape of Treasury Group. It has expanded from being a specialist private manager to also providing retail fund management, institutional fund management and now international diversification.

The company is now well diversified and hence able to participate in the continued growth of its markets. In recognition of this significant growth phase the board has sought to broaden its capabilities.

During the year Mr Mike Fitzpatrick, a well regarded and experienced figure in the fund management industry joined the board. Mr Fitzpatrick's retirement from Hastings Fund Management, a business he established and which was subsequently purchased by Westpac, has brought significant input to our company. Mr Fitzpatrick was an initial supporter and a loyal backer of Treasury Group in its formative years.

Mr Don Sharp also joined the board during the year, and brings a wealth of knowledge and input from the financial services industry.

Mr David Cooper was recently appointed Managing Director of Treasury Group. David's appointment to the board is to further broaden the input from the operational base of our company.

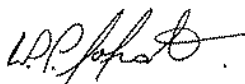
The Board inclusions were made in recognition of the continued growth of the company and significantly greater workload and responsibilities bestowed upon us. The team is now fully resourced to deal with the continued expansion of our company.

After eight years as the company's founder and Chairman I will be retiring as Chairman at the next annual general meeting to focus more on the growth phase of Armytage Private, whilst still remaining on the board as a director. Mr Fitzpatrick, a trusted, loyal and highly-regarded person, will assume the role of Chairman and will continue to capitalize on the outstanding achievements to date. The quality team, under Mr Fitzpatrick's guidance, is well placed to further Treasury's growth profile.

The future continues to provide many exciting and profitable opportunities. The recent year has seen Treasury bring forth its next growth phase with the launch of a range of new products; IML Diversified Value Fund, GVI Industrial Share Fund, TAAM Total Return Fund and Armytage Special Opportunities Fund. We continually assess many investment proposals across all asset spheres in order to continually seek to drive shareholder return.

Treasury Group Ltd

Treasury Group's financial position continues to strengthen. Our record profit result and strong cash position has our company very well placed to participate in the growth of Australia's most dynamic industry, being the financial services industry.



Lee laFrate
Chairman

29 August 2005

Treasury Group Ltd

Annual Report 2005

Corporate Information

ABN 39 006 708 792

Directors

L.D.P. IaFrate (Chairman)
D. Cooper (Managing Director, appointed 8 August 2005)
M. Fitzpatrick (appointed 5 October 2004)
R. Green
P. Kennedy
T. Poole (resigned 5 October 2004)
D. Sharp (appointed 11 July 2005)

Chief Financial Officer & Company Secretary

R. Kipp

Group Financial Controller

H. Lam

Registered Office

Level 16
90 Collins Street
Melbourne, Victoria, 3000
Phone (03) 9671 - 3667
Facsimile (03) 9639 - 0311

Sydney Office

Level 10
275 George Street
Sydney, NSW, 2000
Phone (02) 8243 - 0400
Facsimile (02) 8243 - 0410

Solicitors

Norton Gledhill

Bankers

Westpac Banking Corporation

Share Register

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford, Victoria, 3067
Phone (03) 9415 - 5000

Auditors

Ernst & Young

Internet Address

www.treasury-group.com

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Directors' Report

Your directors submit their report for the 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 this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Lee Darion Peter IaFrate, (Chairman) B.Bus (Acc) Grad. Dip of App. Fin. and Inv., FCPA, FSIA

L. IaFrate, joined the board on 5 May 1999, has over 20 years experience in sharebroking, predominantly focusing on corporate and institutional broking, i.e. mergers and acquisitions, capital raisings and corporate advisory. Mr L. IaFrate is also the Chairman of Armytage private Ltd.

During the past three years Mr IaFrate has also served as a director of the following other listed company:

- Australian Value Funds Management Limited (current)

In addition Mr IaFrate is the Deputy Chairman of St Kevin's College Foundation (not a listed entity).

David Cooper, (Managing Director) B. Ec. /Fin.

D. Cooper joined the board on 8 August 2005, having been the Chief Executive Officer (CEO) of the company since July 2004. Mr D. Cooper joined Treasury Group Limited in July 2002 as Strategic Investments Manager. Prior to joining the Company, he was the Head of the Institutional Division at Perpetual Investments Ltd where he built its institutional business from virtually scratch to over \$5 billion at the time of his departure from Perpetual.

Rodney Green, (Executive Director) CA & ASIA

R. Green, joined the board on 14 November 2001, has over 28 years experience in the financial services industry. Prior to joining Treasury Group Limited Mr R. Green was the Chief Executive Officer (CEO) of Perpetual Investments Ltd with total funds under management of \$15 billion.

Rodney is also a director of Premium Investors Limited (a listed investment company).

Timothy Michael Poole, (Non Executive Director) B.Com, CA

T. Poole, joined the board on 6 May 1999 and resigned on 5 October 2004, has been involved in the financial services industry for more than 15 years. He is currently Managing Director with the alternative investment firm Hastings Funds Management Limited. Mr T. Poole was also a member of the audit committee.

Peter Robert Kennedy, (Non Executive Director) B.Ec. L.L.M.

P. Kennedy, joined the board on 4 June 2003, is a senior partner with Madgwick lawyers and has over 30 years experience in commercial law. He is also a member of the audit committee.

During the past three years Mr Kennedy has also served as a director of the following other listed companies:

- Australian Value Funds Management Limited (current)

Michael Fitzpatrick, (Non Executive Director) B. Eng, B (Oxon) Honours

M. Fitzpatrick, joined the board on 5 October 2004. He was the founder and Managing Director of Hastings Funds Management Limited which manages Australian Infrastructure Fund, Utilities Trust of Australia and other funds. Prior to establishing Hastings in 1994, he was a director of Credit Suisse First Boston. He is also a Commissioner of the Australian Football League and former Chairman of the Australian Sports Commission.

Mr M. Fitzpatrick has extensive experience in investment banking and funds management in Australia and the USA. He has worked on a number of large infrastructure privatisation projects.

Directors' Report continued

DIRECTORS (CONT'D)

Michael Fitzpatrick (cont'd)

During the past three years Mr M. Fitzpatrick has also served as a director of the following other listed companies:

- Hastings High Yield Fund (current)
- Hastings Diversified Utilities Fund (current)
- Pacific Hydro Limited
- Australian Infrastructure Fund Ltd

Donald Sharp (Non Executive Director), B. Bus(Accounting), CPA, CFP, ICD

D. Sharp joined the board on 11 July 2005. Mr D. Sharp has enjoyed a successful career in the financial services industry encompassing stockbroking, financial planning, funds management and accounting. Mr D. Sharp was co-founder of one of Australia's leading financial planning groups, Bridges Personal Investment Services. The retail customers of the group are introduced by financial planners and his experience will broaden the skill set of the Board in this important area.

Mr D. Sharp has been non-executive Chairman of Investors Mutual Limited since 2000. He is also non executive Chairman of Global Value Investors Limited.

Mr D. Sharp is also non-executive Chairman of Premium Investors Limited a listed investment company which members of the group provide investment advice on their portfolio.

COMPANY SECRETARY

Robert Kipp, B.Bus (Accounting) B.Bus (Marketing) F.C.P.A M.A.I.C.D.

R. Kipp has been the company secretary and Chief Financial Officer (CFO) of Treasury Group Limited for 4 years. Mr R. Kipp has over 20 years commercial experience and prior to joining Treasury Group Ltd has held several senior positions in finance including senior partner in public practice.

During the past three years Mr R. Kipp has also served as a director of Premium Investors Limited.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Treasury Group Limited were:

	Ordinary Shares	Options over Ordinary Shares
L.D.P. IaFrate	1,868,000	-
D. Cooper (appointed 8 August 2005)	533,000	800,000
R. Green	2,665,000	-
P.R. Kennedy	-	-
M. Fitzpatrick (appointed 5 October 2004)	2,651,500	-
D. Sharp (appointed 11 July 2005)	2,230	-

EARNINGS PER SHARE

Cents

Basic earnings per share	59.97
Diluted earnings per share	57.73

DIVIDENDS

Cents

\$

Final dividend recommended:

on ordinary shares (fully franked)	27.0	5,943,391
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Dividend paid in the year:

Interim for the year

on ordinary shares (fully franked)	13.0	2,820,990
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Final for 2004 shown as recommended in the 2004 report

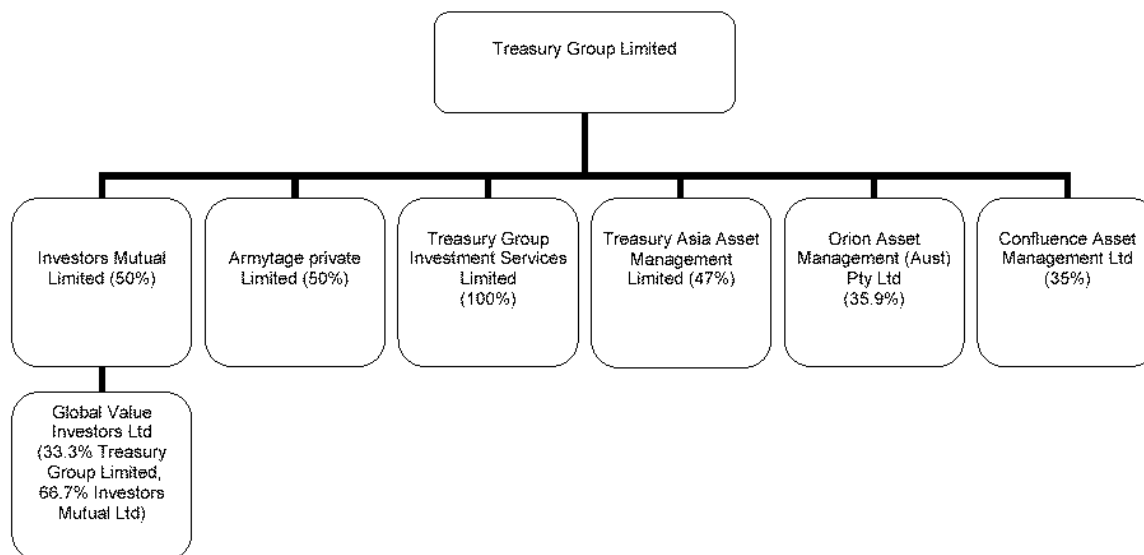
on ordinary shares (fully franked)	25.0	5,132,898
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Directors' Report continued

CORPORATE INFORMATION

Corporate structure

Treasury Group Limited is a company limited by shares that is incorporated and domiciled in Australia. Treasury Group Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The group's corporate structure as at the date of this report is as follows:



- (i) Orion Asset Management (Aust) Pty Ltd ("Orion") is not a controlled entity, and is treated as an associate accordingly. Its financial result is included on an equity accounting basis during the financial year. The financial interest in Orion increased from 19.9% to 29.9% on 1 July 2004. Effective 1 July 2005 the financial interest increased further to 35.9%.
- (ii) Global Value Investors Ltd ("GVI") is effectively owned 66.67%, which will be diluted to an effective 50% after shares have been allocated to key staff members of the new business. GVI is therefore a controlled entity. Its financial results are included within the consolidated figures.
- (iii) Treasury Asia Asset Management Ltd ("TAAM") is a controlled entity that was established on 12 July 2005. TAAM is effectively owned 47%, which will be diluted to an effective 40% after shares have been allocated to key staff members of the new business.

Nature of operations and principal activities

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

Provision of funds management services to:

- Institutions;
- Master Funds and Wraps;
- Retail Investors; and
- Private Clients.

There have been no significant changes in the nature of those activities during the year.

Employees

The consolidated entity employed 49 full time equivalent employees as at 30 June 2005 (2004: 40 employees).

Directors' Report continued

REVIEW AND RESULTS OF OPERATIONS

Group Overview

Funds Management

Investors Mutual Limited provides a funds management capability to both institutional and retail investors. The consolidated entity holds 50% of the issued capital of the company. Investors Mutual Limited was awarded best Australian Equities Fund Manager for the consecutive years of 2002 and 2003 by Money Management/ASSIRT.

Armytage private Ltd currently provides a professional investment service to high net worth professional investors, family entities, superannuation funds and institutions, on a mandated discretionary basis. The consolidated entity holds 50% of share capital of Armytage private Ltd.

Orion Asset Management Ltd, a wholly-owned controlled entity of Orion Asset Management (Aust) Pty Ltd, provides funds management services to a range of institutions. As at 30 June 2005, the consolidated entity held 29.9% of the issued capital of its parent company and has equity accounted for this investment. On 1 July 2005 the consolidated entity exercised an option to increase its investment in Orion Asset Management (Aust) Pty Ltd to 35.9%. Treasury Group Ltd holds call options allowing the interest in Orion to increase to 49%. During the year Orion Asset Management was named 'Morningstar Emerging Fund Manager of the Year 2004'.

Confluence Asset Management Ltd is a funds management business which specialises in the small business capitalisation segment of the funds management industry. Treasury Group Limited holds 35% of the issued capital of Confluence Asset Management Ltd. This investment has been equity accounted.

Global Value Investors Ltd commenced operation as a fund manager from February 2005. Global Value Investors Ltd strongly prefers to invest in global industrial companies that exhibit recurring earnings, and a strong, stable and competitive business. Treasury Group Limited holds 33.3% of the issued share capital with the remainder being held by Investors Mutual Limited.

Funds Management, Administration & Compliance Services

Treasury Group Investment Services Ltd, a wholly-owned controlled entity of Treasury Group Limited, was appointed the manager of a listed investment company, Premium Investors Limited, which received \$172.1 million in subscriptions in 2003/04 and a further \$30m from options exercised during the year. This entity was listed on the Australian Stock Exchange on the 27 November 2003.

Operating Results for the Year

The consolidated net profit attributable to members of Treasury Group Limited amounted to \$12,520,600 (2004: \$6,270,888).

Earnings Per Share

The group is pleased to report that the earnings is reflecting the many initiatives put in place by the board and management. This is reflected in the significant growth experienced over the past twelve months.

	2005	2004	2003	2002	2001
Basic earnings per share (cents)	59.97	37.2	8.0	2.2	1.3
Diluted earnings per share (cents)	57.73	31.8	6.0	1.7	1.3

REVIEW OF FINANCIAL CONDITIONS

Capital Structure

The group has a sound capital structure. This is evident from the company's cash flow position and that no borrowing facility is required to fund the growth activities of the group.

In addition, new capital by way of the exercise of options on ordinary shares provided an additional \$8,936,934 in new capital to the company.

Treasury Policy

The group has established a treasury function which is managed by the finance team and operates within the policies set by the Board. Cash surpluses held by the group are invested in high yielding commercial bills arranged with the Group's bankers. Details pertaining to these investments are included in Note 31 (a).

Directors' Report continued

REVIEW OF FINANCIAL CONDITIONS (CONT'D)

Cash Flow Operations

Net cash flow from operating activities increased by \$7.8m to \$20.3m or by 62% over the year. This positive result was largely due to the increase in receipts derived from the growth in funds under management by the group.

Proceeds from the exercise of options also increased during the year from \$2.2m to \$8.9m. Dividend payments to shareholders also increased during the year. The net impact to the cash balance of the group was to increase cash from \$13.6m to \$22.3m during the year.

Risk Management

The group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The group believes that it is crucial for all Board members to be a part of this process, and as such the board has not established a separate risk management committee. Instead all board members are involved in the risk management process.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non-financial nature;
- The establishment of an investment review panel with the express purpose of examining new asset management opportunities for the group.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 16 November 2004, Treasury Group Ltd took a 33.33% stake in Global Value Investors Ltd ('GVI'). The remainder of the share capital is owned by Investor Mutual Ltd, which gives the Treasury Group an effective 66.67% holding in the company. GVI's investment focus is large international companies with strong and reliable earnings. GVI has secured the services of Mr Roy Chen as Portfolio Manager. Mr Chen is a highly respected fund manager within the financial services industry.

Except the matter disclosed above, there have been no other significant changes in the state of affairs of the company.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 July 2005, Treasury Group Limited exercised an option to purchase an additional 6% of the issued share capital of Orion Asset Management (Aust) Pty Ltd, taking its holding to 35.9%.

On 12 July 2005, Treasury Group Limited set up Treasury Asia Asset Management Limited ('TAAM'), a new boutique fund management business, in partnership with Mr Peter Sartori. TAAM will focus on Asian equities. Treasury Group Limited has a 47% stake in the company with the remainder held by TAAM staff.

On 29 August 2005, the directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is \$5,943,391, which represents a fully franked dividend of 27 cents per share. The dividend has not been provided for in the 30 June 2005 financial statements.

Except the matter disclosed above, there have been no other significant events which have occurred subsequent to 30 June 2005.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In the opinion of the directors, disclosure of information regarding likely developments in the operations of the consolidated entity and the expected results of those operations other than matters referred in the Chairman's address would prejudice the consolidated entity's interests. Accordingly no further information is included in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not presently subject to significant environmental regulation under the law of the Commonwealth and State.

Directors' Report continued

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 1,871,667 unissued ordinary shares under options (2,300,334 at reporting date). Further details of the options outstanding to employees are included in Note 24 to the financial report.

Shares issued as a result of the exercise of options

During the financial year, employees and directors have exercised their options to acquire 2,829,000 fully paid ordinary shares of Treasury Group Limited at a weighted average exercise price of \$2.07. Since the end of the financial year, a further 171,333 options have been exercised at a weighted average exercise price of \$1.84.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The group has entered into an agreement for the purpose of indemnifying directors and officers of the company against all losses and liabilities incurred by the directors or officers on behalf of the company.

The following liabilities, except for a liability for legal costs, are excluded from the above indemnity:

- (a) A liability owed to the company or related body corporate;
- (b) A liability for pecuniary penalty order under section 1317G or a compensation order under section 1317H of the Corporations Act;
- (c) A liability owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith;
- (d) Any other liability against which the company is precluded by law from indemnifying the Director.

The insurance contract prohibits the disclosure of the insurance premium for insuring officers of the company against a liability which may be incurred in that person's capacity as an officer of the company.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration Report

This report outlines the remuneration arrangements for directors and executives of Treasury Group Limited.

Remuneration Philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (CONT'D)

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

In accordance with the ASX Listing Rules the aggregate remuneration of non-executive directors is determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 17 November 2004 when shareholders approved an aggregate remuneration of \$350,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually.

Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Senior Manager and Executive Director Remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- Reward executives for company, business unit and individual performance targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the company; and
- Ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
 - Short Term Incentive ('STI'); and
 - Long Term Incentive ('LTI')

The proportion of fixed remuneration and variable remuneration is established by the Remuneration Committee.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of performance, relevant comparative remuneration in the market and advice on policies and practices.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI plan is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (CONT'D)

Variable remuneration – Short Term Incentive (STI) (Cont'd)

Structure

Actual STI payments granted to each senior manager depend on the achievement of annual corporate profitability measures, the most important being return on shareholder's equity, as well as the achievement of individual key performance indicators and other performance criteria.

The aggregate of annual STI payments available for executives across the company is subject to the approval of the Remuneration Committee. Payments are usually delivered as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

LTI grants are delivered in the form of options.

The company uses the share price as the performance hurdle for the long term incentive plan to ensure alignment between shareholder return and reward for executives.

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Emoluments* of Directors of Treasury Group Limited

	<u>Annual Emoluments</u>			<u>Long Term Emoluments</u>	
	Salary	Bonus	Directors Fees	Super-annuation	Total
	\$	\$	\$	\$	\$
L.D.P. laFrate Chairman	44,167*	170,000*	66,131	9,927	290,225
R. Green Executive Director	243,366	-	-	10,800	254,166
T. Poole Non Executive Director (resigned 5 October 2004)	-	-	9,174	826	10,000
P. Kennedy Non Executive Director	-	-	48,667	-	48,667
M Fitzpatrick Non Executive Director (appointed 5 October 2004)	-	-	31,346	2,821	34,167

1. Remuneration which relate to entities other than Treasury Group Ltd.

Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENT (CONT'D)

Emoluments* of the Five Most Highly Paid Executive Officers# of the Company and the Consolidated Entity

Name and Position	Annual Emoluments			Long term Emoluments (in accordance with LTI)			
	Base Fee	Bonus	Other	Granted @ Number	Amortised Cost	Super-annuation	Total
	\$	\$	\$		\$	\$	\$
D. Cooper Treasury Group Ltd C.E.O.^	344,037	150,000	-	-	236,958	30,963	761,958
R. Kipp Treasury Group Ltd C.F.O & Co Sec	248,238	120,000	-	200,000	114,498	35,095	517,831
C. Byrne Investors Mutual Ltd C.O.O.	218,413	177,500	-	25,000	74,278	11,587	481,778
C. McComb Armytage private Ltd Investment Director	98,333	140,000	31,193	-	18,952	11,657	300,135
2. Tagliaferro Investors Mutual Ltd Investment Director	206,298	-	-	-	-	38,702	245,000

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

* The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity, except for options issued.

@ Options granted as part of remuneration have been valued using a Binomial option pricing model, which takes account of factors such as the option exercise price, volatility of the underlying share price and the time to maturity of the option.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

^ Appointed Managing Director of the Company on 8 August 2005.

The company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2004. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures).

From 1 July 2003, options granted as part of director and executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details. Further details in relation to the issuance and value of options are contained in Note 27 to the financial report.

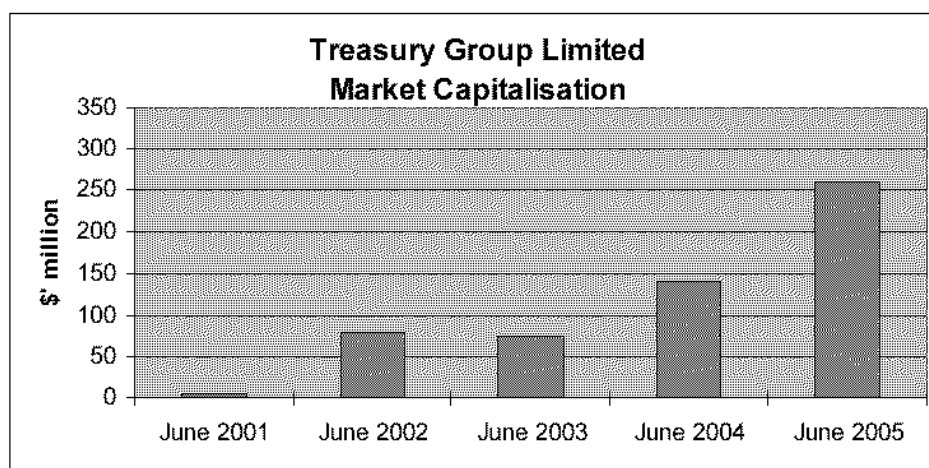
Directors' Report continued

DIRECTORS' AND OTHER OFFICERS' EMOLUMENT (CONT'D)

Value of Options Exercised During the Year Ended 30 June 2005			
	Date	Number Exercised	Value per option at exercise date
Specified Directors			
L.D.P. IaFrate	15 November 2004	250,000	\$8.72
R. Green	11 August 2004	160,000	\$8.92
	11 August 2004	300,000	\$8.72
T. Poole	-	-	-
P. Kennedy	-	-	-
M. Fitzpatrick	-	-	-
Specified Executive			
D. Cooper	3 December 2004	300,000	\$7.30
	3 December 2004	300,000	\$6.30
C. Byrne	-	-	-
A. Tagliaferro	11 August 2004	1,000,000	\$9.02
C. McComb	11 August 2004	25,000	\$3.99
R. Kipp	2 August 2004	50,000	\$6.50
	10 February 2005	50,000	\$10.45

COMPANY PERFORMANCE

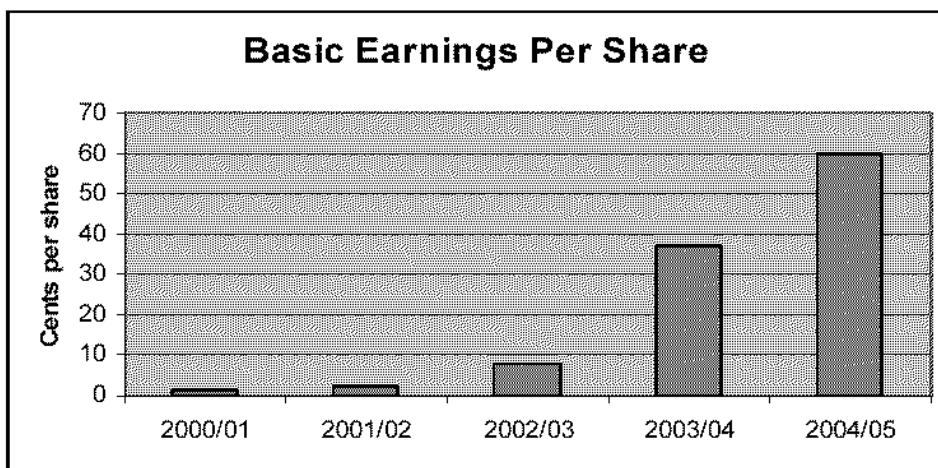
The graph below represents the increase in value of the company on an annual basis.



Directors' Report continued

COMPANY PERFORMANCE (CONT'D)

The graph below shows the increase in earnings per share generated by the company over the past five years.



EMPLOYMENT CONTRACTS

The C.E.O., Mr Cooper, is employed under contract. Mr Cooper was subsequently appointed as the Managing Director on 8 August 2005. The current employment contract commenced on 16 July 2004 and terminates on 15 July 2006, at which time the company may choose to commence negotiation to enter into a new employment contract with Mr Cooper. Under the terms of the present contract:

- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Cooper is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.
- The company may terminate the contract if Mr Cooper becomes incapacitated by accident or an illness such that he is unable to perform his duties for 4 consecutive months or for an aggregate period of 6 months in any period of 12 months by giving not less than two weeks notice or provide payment in lieu of notice.

The Chief Financial Officer & Company Secretary, Mr Kipp, is employed under contract. The current employment contract commenced on 1 January 2002 and has no predetermined termination date. In accordance with an agreement with the Company, Mr Kipp resigned as CFO and Company Secretary effective from 1 October 2005.

Mr McComb's current contract has no predetermined termination date. Under the terms of the contract Mr McComb and the company concerned may terminate the contract by giving one month written notice.

Mr Byrne's current contract has no predetermined termination date. Under the terms of the contract Mr Byrne and the company concerned may terminate the contract by giving one month written notice.

Directors' Report continued

DIRECTORS' MEETINGS

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

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended	Meetings eligible to attend	Meetings Attended
L.D.P. IaFrate	12	12	-	-	-	-	1	1
R. Green	12	12	-	-	2	2	1	1
T. Poole	5	3	-	-	-	-	-	-
P. Kennedy	12	12	2	2	2	2	-	-

Committee membership

As at the date of this report, the company had an Audit Committee, a Remuneration Committee and Nomination Committee of the board of directors.

Members acting on the committees of the board during the year were:

Audit	Remuneration	Nomination
T. Poole (c) (resigned 5 October 2004)	P. Kennedy (c)	L.D.P. IaFrate (c)
M. Fitzpatrick (c) (appointed 5 October 2004)	T. Poole (resigned 5 October 2004)	R. Green
P. Kennedy	R. Green	
D. Sharp (appointed 29 August 2005)	M. Fitzpatrick (appointed 5 October 2004)	

Notes

(c) Designates the chairman of the committee.

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group.

CORPORATE GOVERNANCE

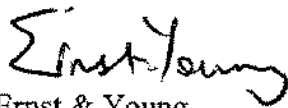
In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Treasury Group Limited support the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

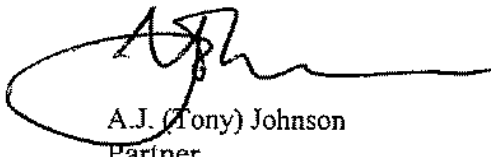
The directors received the following declarations from the auditors of Treasury Group Limited.

Auditor's Independence Declaration to the Directors of Treasury Group Limited

In relation to our audit of the financial report of Treasury Group Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young

A.J. (Tony) Johnson
Partner

Melbourne

Date: 29 August 2005

Directors' Report continued

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. 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.

Ernst & Young received \$28,800 in respect of tax compliance services during the year.

Signed in accordance with a resolution of the directors.



L.D.P. IaFrato
Chairman

Melbourne, 29 August 2005

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of the Company and the view of the board in optimizing shareholder returns.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1 Directors' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by CEO and CFO	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2 Attestations by CEO and CFO	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

Corporate Governance Statement continued

1. Board of Directors

1.1 *Role of the Board*

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Directors Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles. The Directors Code of Conduct can be viewed in the corporate governance section on the Company's website.

1.2 *Composition of the Board*

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated on page 4 along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Company does not have a majority of independent directors as recommended by the ASX Good Corporate Governance Guidelines but rather a balance of executive and non executive. The board size is considered appropriate for the size of the Company's operations. Mr Kennedy and Mr Sharp are Non-Executive Directors. In addition to being Non-Executive Directors, Mr Kennedy and Mr Sharp also meet the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr IaFrate is a Non-Executive Director & Chairman of the Company, but is also an Executive Director of Armytage private Ltd and is a major shareholder of the Company and as such he does not meet the Company's criteria for independence. However, as one of the founders of the Company, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board. The role of Managing Director is that of David Cooper and independent of the role of Chairman undertaken by Lee IaFrate.

1.3 *Responsibilities of the Board*

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

Corporate Governance Statement continued

1.3 Responsibilities of the Board (continued)

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

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained in the corporate governance section on the Company's website.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

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

1.4.2 Commitments

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

1.4.3 Confidentiality

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

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

Corporate Governance Statement continued

1.4.4 Continuous Disclosure (continued)

- 1 concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- 2 that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public. A copy of the Continuous Disclosure Policy is located in the corporate governance section of the Company's website.

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the Company. This includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- Guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

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

1.4.8 Shareholder Communication

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

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

Corporate Governance Statement continued

1.4 Board Policies (continued)

1.4.9 Trading in Company Shares

The Company has a Securities Trading Policy under which Directors and employees and their associates may only trade in the Company's securities during the 2 weeks commencing immediately after each of the following ("trading window"):

- the release by the Company of its half-yearly results to the ASX;
- the release by the Company of its annual results to the ASX; and
- the close of the annual general meeting of the Company.

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX. The Securities Trading Policy can be viewed in the corporate governance section of the Company's website.

1.4.10 Performance Review/Evaluation

The board charter provides for the undertaking of annual board performance evaluation. The Board's performance is measured against both qualitative and quantitative indicators. The objective of this evaluation is to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

In accordance with the Board's policy, the CEO and the CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

2.1 Audit Committee

The Audit Committee comprised of independent directors was formed by resolution of the Board on 4 May 2004. Prior to this date all members of the board assumed the responsibilities of Audit Committee. Below is a summary of the role, composition and responsibilities of the Audit Committee. Further details are contained in the Audit Committee's Charter, a copy of which is available for review in the corporate governance section of the Company's website.

2.1.1 Role

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

2.1.2 Composition

During the year the Audit Committee consisted of two members and whilst the ASX principles of good corporate governance and best practice recommendations suggest a minimum of three members, the Company believes that the committee structure was adequate to perform its duties independently. Members are appointed by the Board from amongst the Non-Executive Directors, which must also be independent. The members of the Audit Committee during the year were Mr Fitzpatrick and Mr Kennedy. All members can read and understand financial statements and are otherwise financially literate and Mr Kennedy the Chairman, has a commerce background with experience in financial and accounting matters. In recognition of good corporate governance practices, Mr D Sharp joins the audit committee from 29 August 2005. The details of the member's qualifications may be found in their Director Profiles on page 4.

The Audit Committee held two meetings for the year and details of attendance of the members of the Audit Committee are contained in the Directors' Report on page 15.

Corporate Governance Statement continued

2.1 *Audit Committee (continued)*

2.1.3 *Responsibilities*

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.2 *Remuneration Committee*

The Board has established a Remuneration Committee to assist the Board in making appropriate decisions about incentive schemes and superannuation arrangements.

2.2.1 *Role*

The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

2.2.2 *Composition*

Mr Kennedy, Mr Fitzpatrick and Mr Green are the current members of the Remuneration Committee. Mr Kennedy, the Chairman of the Remuneration Committee is an Independent Director.

The Remuneration Committee held two meetings throughout the year and details of attendance of the members of the Committee are contained in the Directors' Report on page 15.

2.2.3 *Responsibilities*

The responsibilities of the Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations to the Board on any proposed changes and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving these goals.

2.2.4 *Remuneration Policy*

The board have endorsed the following Senior Executive Remuneration Policy and the Non-Executive Director Remuneration Policy.

2.2.4.1 *Senior Executive Remuneration Policy*

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Executive Option;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The amount of remuneration, including both monetary and non-monetary components, for each of the five highest paid (Non-Director) Executives during the year (discounting accumulated entitlements) is detailed in the Directors' Report on Page 12.

The value of shares and options granted to senior executives has been calculated using the binomial method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

Corporate Governance Statement continued

2.2 *Remuneration Committee (continued)*

2.2.4 *Remuneration Policy (continued)*

2.2.4.1 Senior Executive Remuneration Policy (continued)

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments. This discretion is exercised on the following basis:

- Retentions and motivation of key executives;
- Attraction of quality management to the Company;
- Performance incentives which allow executives to share the rewards of the success of Treasury Group Limited.

2.2.4.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2 *Current Director Remuneration*

The aggregate amount of remuneration paid to Non-Executive Directors is approved by shareholders and is currently \$350,000. The remuneration received by all of the Company's Non Executive Directors is detailed in the Directors Report on page 11 and totals \$164,917 (including superannuation) paid directly by Treasury Group Ltd.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 *Nomination Committee*

The Nomination Committee was formed by resolution of the Board on the 4th May 2004. Prior to this date all board members were involved in this matter and whilst the ASX principles of good corporate governance and best practice recommendations suggest a minimum of three members, the Company believes that the present committee structure is adequate to perform its duties.

2.3.1 *Role*

The role of the Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

2.3.2 *Composition*

The members of the Nomination Committee are:

- Mr L. IaFrane (Chairman);
- Mr R. Green

The Nomination Committee held two meeting during the year and details of attendance of the members of the Committee are detailed in the Directors' Report on Page 15.

2.3.3 *Responsibilities*

The responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

2.3.4 *Criteria for selection of Directors*

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

- accounting and financial management;
- legal skills; and
- CEO-level business experience.

Corporate Governance Statement continued

3. Company Code Of Conduct

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

Responsibilities to Shareholders and the Financial Community Generally

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

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

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

Obligations Relative to Fair Trading and Dealing

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

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community.

Responsibility to the Individual

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

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

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

Statement of Financial Performance

YEAR ENDED 30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
REVENUES FROM ORDINARY ACTIVITIES	2	46,653,643	30,740,653	14,614,266	5,718,334
Salaries and employee benefits expenses		(8,300,112)	(5,957,406)	(1,568,479)	(1,252,807)
Fund management and administration fees		(2,802,657)	(2,111,435)	(3,000)	(7,313)
Other expenses from ordinary activities	3	(4,131,592)	(3,224,042)	(872,015)	(773,874)
Share of net profits / (losses) of associates accounted for using the equity method	2	1,748,034	(173,459)	-	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		33,167,316	19,274,311	12,170,772	3,684,340
Income tax (expense) / income attributable to ordinary activities	4	(9,425,919)	(6,006,787)	829,485	-
NET PROFIT		23,741,397	13,267,524	13,000,257	3,684,340
Net profit attributable to outside equity interest	21	(11,220,797)	(6,996,636)	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED	20	12,520,600	6,270,888	13,000,257	3,684,340
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF TREASURY GROUP LIMITED		12,520,600	6,270,888	13,000,257	3,684,340
Basic earnings per share (cents per share)	26	59.97	37.18		
Diluted earnings per share (cents per share)	26	57.73	31.82		
Franked dividends per share (cents per share)	5	40.00	28.00		

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

AT 30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	22(b)	22,254,205	13,595,385	13,558,463	5,132,629
Receivables	6	16,362,406	9,589,187	8,075,099	1,055,159
Tax assets	4	305,694	192,485	316,446	-
Other financial assets	7	5,619,477	2,500,000	-	-
Other	8	357,531	94,071	56,929	11,213
TOTAL CURRENT ASSETS		44,899,313	25,971,128	22,006,937	6,199,001
NON-CURRENT ASSETS					
Receivables	9	216,366	2,427,819	1,087,984	2,858,583
Other financial assets	10	163,100	100,600	5,959,510	5,859,060
Investments accounted for using the equity method	11	2,252,554	1,125,636	-	-
Plant and equipment	13	958,324	556,595	293,653	213,235
Intangible assets	14	1,567,164	1,664,550	-	-
Other	15	315,685	226,335	182,235	180,857
TOTAL NON-CURRENT ASSETS		5,473,193	6,101,535	7,523,382	9,111,735
TOTAL ASSETS		50,372,506	32,072,663	29,530,319	15,310,736
CURRENT LIABILITIES					
Payables	16	7,009,450	4,266,777	565,445	326,482
Current tax liabilities	4	3,979,988	4,137,096	-	-
Provisions	17	4,749,682	1,208,711	24,110	10,303
TOTAL CURRENT LIABILITIES		15,739,120	9,612,584	589,555	336,785
NON-CURRENT LIABILITY					
Payables	18	61,072	77,563	61,072	77,563
TOTAL NON-CURRENT LIABILITY		61,072	77,563	61,072	77,563
TOTAL LIABILITIES		15,800,192	9,690,147	650,627	414,348
NET ASSETS		34,572,314	22,382,516	28,879,692	14,896,388
EQUITY					
Parent entity interest					
Contributed equity	19	22,012,557	13,075,623	22,012,557	13,075,623
Retained profits	20	9,231,187	4,664,475	6,867,135	1,820,765
Total parent entity interest in equity		31,243,744	17,740,098	28,879,692	14,896,388
Total outside equity interest	21	3,328,570	4,642,418	-	-
TOTAL EQUITY		34,572,314	22,382,516	28,879,692	14,896,388

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		41,364,559	25,469,479	333,626	984,097
Payments to suppliers and employees		(12,453,010)	(9,942,494)	(2,185,089)	(2,470,371)
Dividends received		-	12,880	9,060,235	4,712,935
Interest received		1,125,287	593,588	559,546	130,200
Income tax paid		(9,696,236)	(3,674,456)	(8,950)	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	22(a)	20,340,600	12,458,997	7,759,368	3,356,861
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(629,742)	(471,752)	(148,261)	(167,416)
Proceeds from sale of shares and units		-	3,277,945	-	2,234,473
Purchase of shares and units		(3,119,738)	(3,833,554)	-	(1,333,554)
Purchase of security deposits		(89,350)	(116,385)	(1,378)	(96,210)
Repayment from associates		350,000	-	350,000	-
Advances to controlled entities		-	-	(400,000)	(100,000)
Advances to associates		-	(990,000)	-	(990,000)
Payment for investment in controlled entity		-	-	(450)	-
Payment for investment in associated entities	11(a)(iii)	(100,000)	(51,204)	(100,000)	(51,204)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		(3,588,570)	(2,184,950)	(300,089)	(503,911)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		8,936,934	2,200,741	8,936,934	2,200,741
Proceeds from lease incentive		-	98,946	-	98,946
Payment of lease incentive		(16,491)	(4,891)	(16,491)	(4,891)
Payment of dividends on ordinary shares		(17,013,653)	(5,727,336)	(7,953,888)	(1,027,391)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(8,093,210)	(3,432,540)	966,555	1,267,405
NET INCREASE/(DECREASE) IN CASH HELD		8,658,820	6,841,507	8,425,834	4,120,355
Add opening cash brought forward		13,595,385	6,753,878	5,132,629	1,012,274
CLOSING CASH CARRIED FORWARD	22(b)	22,254,205	13,595,385	13,558,463	5,132,629

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, with the exception of investments in associated entities which are equity accounted in the consolidated financial statements.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Treasury Group Limited (the parent company) and all entities that Treasury Group Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of controlled entities is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Controlled entity acquisitions are accounted for using the purchase method of accounting.

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal 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 2 working days.

Interest is recognised as an expense as it accrues.

(e) 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.

(f) Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

Other non-current investments are carried at the lower of cost and recoverable amount.

All current investments are carried at the lower of cost and market value.

(g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Plant and equipment

Plant and equipment are measured at cost and depreciated over their useful lives on a diminishing cost basis.

Major depreciation periods are:

	<u>2005 & 2004</u>
Furniture & fittings:	8 – 13 years
Office equipment:	4 – 10 years
Leasehold improvements:	Straight line over the life of the lease

(i) 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 on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on a straight line basis over the lease term (6 years).

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(j) Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. The period of amortisation is up to 20 years.

Management reviews the unamortised goodwill from time to time and at least at each reporting date. Where the balance exceeds the value of expected benefits, the difference is recognised immediately as an expense.

(k) 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 accrual basis.

(l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company net of the costs of raising the equity.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) 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:

Rendering of services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

Interest

Control of the right to receive the interest payment.

Dividends

Control of the right to receive the dividend payment.

Share trading

Control of the shares has passed to the buyer.

(o) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

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 the 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.

Tax Consolidation Legislation

Treasury Group Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has been notified of this decision accordingly on the lodgement of the 2004 annual taxation returns.

As a consequence, Treasury Group Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing arrangement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group, have been remeasured based on the carrying amount of those assets at the tax-consolidated group level and their reset tax values. The impact on the income tax expenses for the year is disclosed in note 4.

Notes continued

30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:
wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
other types of employee benefits
are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in Note 24 is not being recognised as an employee benefits expense.

(q) Earnings per share

Basic EPS 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 EPS is calculated as net profit attributable to members, adjusted for:

costs of servicing equity (other than dividends) and preference share dividends, if any;
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, if any.

1 Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Fund management fees		40,457,852	26,369,298	-	-
Performance fees		2,992,242	2,454,537	-	-
Management fees					
- wholly-owned controlled entities		-	-	476,790	54,980
- partly-owned controlled entities		-	-	80,000	153,011
- associates		167,994	199,349	-	11,541
- other related entities		404,865	75,750	-	9,200
Total revenues from operating activities		44,022,953	29,098,934	556,790	228,732
Revenues from non-operating activities					
Dividends and distributions					
- partly-owned controlled entities		-	-	12,535,355	5,325,067
- associates		-	-	721,115	-
- other corporations		-	26,177	-	12,880
Total dividends and distributions		-	26,177	13,256,470	5,337,947
Interest					
Related parties					
- wholly-owned controlled entities		-	-	38,211	27,815
- partly-owned controlled entities		-	-	7,902	-
- associates		182,277	153,280	182,277	153,280
Other persons/corporations		1,125,287	595,407	572,607	130,200
Total interest		1,307,564	748,687	800,997	311,295
Commission received		1,196,180	790,519	-	1,527
Sale of shares / investments	(i)	-	(41,814)	-	(161,737)
Other revenue		126,946	118,150	9	570
		1,323,126	866,855	9	(159,640)
Total revenues from non-operating activities		2,630,690	1,641,719	14,057,476	5,489,602
Total revenues from ordinary activities		46,653,643	30,740,653	14,614,266	5,718,334
<i>(i) Sale of shares / investments</i>					
Proceeds on disposal of shares / investments		-	3,277,944	-	2,234,472
Carrying amount of shares / investments disposed		-	(3,319,758)	-	(2,396,209)
Loss on disposal		-	(41,814)	-	(161,737)
Share of net profits / (losses) of associates accounted for using the equity method	11(a)	1,748,034	(173,459)	-	-

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
3. EXPENSES AND LOSSES					
Expenses					
Depreciation of non-current assets					
Furniture & fittings		12,271	7,758	4,081	3,599
Office equipment		130,025	125,700	42,771	24,635
Leasehold improvements		80,521	44,339	19,707	16,508
Total depreciation of non-current assets		222,817	177,797	66,559	44,742
Amortisation of non-current assets					
Goodwill & formation costs		97,386	104,887	-	7,500
Total depreciation and amortisation expenses		320,203	282,684	66,559	52,242
Other operating expenses					
Accounting & audit fees		243,425	204,840	63,150	78,667
Operating lease rental -- minimum lease payments		417,576	347,822	76,075	120,400
Marketing & stationery expenses		704,760	565,294	27,883	16,169
Travel & accommodation costs		460,882	316,412	72,172	46,841
Communication costs		157,479	138,489	24,654	20,852
Payroll tax		378,789	232,128	75,740	62,613
Legal & compliance fees		152,743	165,206	2,922	20,237
Consulting fee		132,901	125,152	42,414	-
Insurance charges		339,118	339,129	48,036	24,056
Directors' fees (non-executives)		196,211	138,770	155,318	98,807
IT servicing & consulting charges		64,610	63,942	15,414	10,240
Training expenses		66,901	24,217	28,297	11,076
Share registry expenses		45,058	24,246	45,058	24,246
ASX fees		63,175	32,367	63,175	32,367
Subscriptions		70,595	57,330	12,412	19,348
Write off of bad debt		-	-	-	61,177
Write off of plant and equipment		5,197	3,775	1,284	2,017
Write off of intangibles		-	37,500	-	37,500
Other expenses		311,969	124,739	51,452	35,019
		3,811,389	2,941,358	805,456	721,632
Other expenses from ordinary activities		4,131,592	3,224,042	872,015	773,874

Notes continued

30 JUNE 2005

Notes

CONSOLIDATED

TREASURY GROUP LIMITED

2005

2004

2005

2004

\$

\$

\$

\$

4. INCOME TAX

The prima facie tax on profit and extraordinary items differs from the income tax provided in the financial statements as follows:

Profit from ordinary activities before income tax expense

33,167,316 19,274,311 **12,170,772** 3,684,340

Prima facie tax on profit from ordinary activities

9,950,195 5,782,293 **3,651,232** 1,105,302

Tax effect of permanent differences

Share of associates' net operating results

(524,410) 52,038 - -

Rebateable dividends

- (4,231) **(3,976,941)** (1,434,037)

Amortisation of intangible assets

29,216 31,466 - 2,250

Non-deductible costs – entertainment & fines

11,641 10,376 **3,005** 1,523

Write off of intangible assets

- 11,250 - 11,250

Gross up of franking credit

2,357 813 - -

Recoupment of losses not previously recognised

(167,723) 84,174 **(167,723)** (80,828)

Tax losses not carried forward as future income tax benefits

116,492 - - -

Other items (net)

8,151 38,608 **17,128** 39,376

Prima facie tax (benefit) / expense on profit from ordinary activities before impact of tax consolidation

9,425,919 6,006,787 **(473,299)** (355,164)

Prima facie tax on profit from ordinary activities (excluding parent entity), calculated at 30% (2004 – 30%)

168,281 354,652

Amortisation of intangible assets

291 291

Non-deductible costs – entertainment

461 221

Income tax expense – tax consolidated group (excluding parent entity)

169,033 355,164

(304,266) -

Compensation receivable from tax consolidated group entities

(525,219) -

Income tax expense attributable to ordinary activities

9,425,919 6,006,787 **(829,485)** -

Deferred tax assets and liabilities

Current tax payable

3,979,988 4,136,550 - -

Provision for deferred income tax – current

- 546 - -

Future income tax benefit – current

305,694 192,485 **316,446** -

This future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Notes continued

30 JUNE 2005

4. INCOME TAX (Cont'd)

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Treasury Group Limited and its 100% owned controlled entities have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned controlled entities on a pro-rata basis. In addition, the proposed agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Treasury Group Limited.

	TREASURY GROUP LIMITED	
	2005	2004
	\$	\$
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends proposed and not recognised as a liability*		
Final fully franked dividends 27 cents per share (2004: 25 cents per share)	5,943,391	4,470,648
(b) Dividends paid during the year		
<i>Current year interim</i>		
Fully franked dividends (13 cents per share) (2004: 3 cents)	2,820,990	528,728
<i>Previous year final</i>		
Fully franked dividends (25 cents per share) (2004: 3 cents)	5,132,898	498,663
* Calculation based on the ordinary shares on issue as at 30 June 2005		
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2004: 30%)	2,648,211	1,915,234
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	2,237,677	439,291
	4,885,888	2,354,525

The tax rate at which paid dividends have been franked is 30% (2004: 30%). Dividends proposed will be franked at the rate of 30% (2004: 30%).

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
6. RECEIVABLES (CURRENT)					
Trade debtors	6(a),(b)	13,257,822	9,270,336	142,572	6,867
Sundry debtors	6(b)	114,108	280,014	18,323	1,373
Other receivables		188,000	-	-	-
Amounts other than trade debts receivable from related parties:	29				
Wholly-owned group					
— controlled entities		-	-	563,160	3,864
Directors and director-related entities					
— director-related entities		1,140	32,574	-	-
Other related parties					
— partly-owned controlled entities		-	-	50,132	13,780
— dividend receivable from partly-owned controlled entities		-	-	4,500,132	1,025,012
— dividend receivable from an associate		721,116	-	721,116	-
— associates		36,490	6,263	35,934	4,263
— loan to associates		2,043,730	-	2,043,730	-
		16,362,406	9,589,187	8,075,099	1,055,159
(a) Total related party trade debtors					
Wholly-owned group					
— controlled entities	29	-	-	125,767	6,867
Directors and director-related entities					
— director-related entities	29	3,458,676	2,045,666	-	-
Other related parties					
— partly-owned controlled entities		-	-	16,805	-
— associates		170,908	-	-	-
		3,629,584	2,045,666	142,572	6,867

(b) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and generally on 30 day terms.
- (ii) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
- (iii) Details of the terms and conditions of related party receivables are set out in Note 29.

Notes continued

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
7. OTHER FINANCIAL ASSETS (CURRENT)					
Units in unlisted managed investment trust, at cost					
- Investors Mutual Value Fund		2,619,477	2,500,000	-	-
- Global Value Investors Industrial Share Fund		3,000,000	-	-	-
		5,619,477	2,500,000	-	-

Units are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

Percentage ownership in the Investors Mutual Value Fund is 15.7% (2004: 62.5%).

Percentage ownership in Global Value Investors Industrial Share Fund is 42.4% (2004: nil).

8. OTHER CURRENT ASSETS

Prepayments		183,358	92,739	56,035	9,881
Other		174,173	1,332	894	1,332
		357,531	94,071	56,929	11,213

9. RECEIVABLES (NON-CURRENT)

Amounts other than trade debts receivable from

Wholly-owned controlled entity

— loans to controlled entities	9(a), (b), 29	-	-	468,975	430,764
--------------------------------	------------------	---	---	---------	---------

Other related parties

— partly-owned controlled entity	9(a), 29	-	-	402,643	-
— loan to associates	9(a), (b), 29	216,366	2,427,819	216,366	2,427,819
		216,366	2,427,819	1,087,984	2,858,583

(a) Other receivables are interest bearing at commercial rates with no fixed repayment dates.

(b) The majority of non-current loans to associates and a controlled entity are subordinated to Australian Securities and Investments Commission ("ASIC").

10. OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments at cost comprise:

Controlled entities – unlisted	12	-	-	4,269,974	4,269,524
Associates – unlisted	11	-	-	1,588,936	1,488,936
		-	-	5,858,910	5,758,460
Shares in other corporations	31(b)				
Unlisted		100,600	100,600	100,600	100,600
Listed		62,500	-	-	-
		163,100	100,600	5,959,510	5,859,060

There would be no material capital gains tax payable if these assets were sold at their market values at the reporting date.

Notes continued

30 JUNE 2005

Notes

CONSOLIDATED

2005

2004

\$

\$

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates

11(a)

2,252,554

1,125,636

Interests in Associates

Name	Balance date	Ownership interest held by consolidated entity	
		2005	2004
		%	%
Orion Asset Management (Aust) Pty Ltd - ordinary shares*	30 June	29.9	19.9
Confluence Asset Management Ltd – ordinary shares	30 June	35	35

* Treasury Group Limited has a series of call options with an expiry date 31 March 2006 to purchase ordinary shares of the associates to increase its total interest to 49%.

(i) Principal activity

- (a) Orion Asset Management (Aust) Pty Ltd is the parent company of Orion Asset Management Ltd, a wholesale fund management company in Australia.
- (b) Confluence Asset Management Ltd is a funds management company which specialises in small business capitalisation in Australia.

	CONSOLIDATED	
	2005	2004
	\$	\$
(ii) <i>Share of associates' profits / (losses)</i>		
Share of associates':		
- net profits / (losses) before income tax	2,507,307	(98,592)
- income tax expense attributable to net profit	(674,303)	-
Share of associate's net profits / (losses) and extraordinary items after income tax	1,833,004	(98,592)
Adjusted for:		
- amortisation of goodwill on acquisition	(84,970)	(74,867)
Share of associates' net profits / (losses)	1,748,034	(173,459)

Notes continued

30 JUNE 2005

Notes

CONSOLIDATED

2005

2004

\$

\$

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

(iii) Carrying amount of investment in associates

Balance at the beginning of the financial year	1,125,636	1,152,004
- new investment during the financial year	100,000	147,091
- share of associates' net profits / (losses) for the financial year	1,748,034	(173,459)
- dividend receivable from an associate	(721,116)	-
Carrying amount of investment in associates at the end of the financial year	2,252,554	1,125,636

(iv) Summary of associates' assets and liabilities

Current assets	12,780,268	1,933,857
Non-current assets	272,283	340,935
Current liabilities	(9,594,292)	(676,653)
Non-current liabilities	(437,105)	(2,648,161)
Net assets / (liabilities)	3,021,154	(1,050,022)

(v) Retained profit / (accumulated losses) of the consolidated entity attributable to associates

Balance at the beginning of the financial year	(332,080)	(158,621)
Share of associates' net profits/(losses)	1,748,034	(173,459)
Balance at the end of the financial year	1,415,954	(332,080)

The consolidated entity's share of the associates' commitments are disclosed in note 23.

3 INTERESTS IN SUBSIDIARIES

Name	Percentage of equity interest held by the consolidated entity		Treasury Group Limited Investments	
	2005	2004	2005	2004
	%	%	\$	\$
Armytage private Limited	50	50	299,591	299,591
Investors Mutual Limited	50	50	3,869,925	3,869,925
Treasury Capital Management Pty Ltd	100	100	2	2
Treasury Group Investment Services Ltd	100	100	100,006	100,006
Treasury Group Nominees Pty Ltd	100	-	200	-
Global Value Investors Ltd	67	-	250	-
			4,269,974	4,269,524

All subsidiaries are incorporated in Australia.

Notes continued

30 JUNE 2005

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
13. PLANT AND EQUIPMENT					
Furniture & fittings					
At cost		129,201	120,113	46,240	43,992
Accumulated depreciation		(27,649)	(15,377)	(12,072)	(7,991)
	13(a)	101,552	104,736	34,168	36,001
Office equipment					
At cost		733,544	482,734	248,983	107,286
Accumulated depreciation		(378,179)	(275,853)	(83,078)	(43,339)
	13(a)	355,365	206,881	165,905	63,947
Leasehold improvements					
At cost		617,500	280,551	118,213	118,213
Accumulated depreciation		(116,093)	(35,573)	(24,633)	(4,926)
	13(a)	501,407	244,978	93,580	113,287
Total written down amount		958,324	556,595	293,653	213,235

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.

Furniture & fittings

Carrying amount at beginning	104,736	60,803	36,001	32,310
Additions	9,087	51,691	2,248	7,290
Depreciation expense	(12,271)	(7,758)	(4,081)	(3,599)
	101,552	104,736	34,168	36,001

Office equipment

Carrying amount at beginning	206,881	175,735	63,947	48,686
Additions	283,706	160,621	146,013	41,913
Write off of fixed assets	(5,197)	(3,775)	(1,284)	(2,017)
Depreciation expense	(130,025)	(125,700)	(42,771)	(24,635)
	355,365	206,881	165,905	63,947

Leasehold improvements

Carrying amount at beginning	244,978	29,878	113,287	11,582
Additions	336,950	259,439	-	118,213
Depreciation expense	(80,521)	(44,339)	(19,707)	(16,508)
	501,407	244,978	93,580	113,287

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
14. INTANGIBLE ASSETS					
Goodwill		1,928,348	1,928,348	-	-
Accumulated amortisation		(378,628)	(282,211)	-	-
		1,549,720	1,646,137	-	-
Formation costs		19,382	19,382	-	-
Accumulated amortisation		(1,938)	(969)	-	-
		17,444	18,413	-	-
		1,567,164	1,664,550	-	-
15. OTHER NON-CURRENT ASSETS					
Security deposits		315,685	226,335	182,235	180,857
		315,685	226,335	182,235	180,857
16. PAYABLES (CURRENT)					
Trade creditors	16(a), (b)	2,177,554	1,083,514	65,102	32,234
Other creditors	16(a)	3,380,578	2,051,345	410,025	202,788
Payroll tax payable		34,894	117,363	34,894	39,585
Withholding tax payable		165,934	72,574	40,539	41,411
Goods and services tax / (refund)		1,233,999	925,490	(1,606)	(6,027)
Lease incentive liability	23	16,491	16,491	16,491	16,491
		7,009,450	4,266,777	565,445	326,482
(a) Aggregate amounts payable to related parties:					
Directors and director-related entities					
- director-related entities		3,456	-	-	-
Other related parties					
- associates		1,500,967	749,485	-	-
		1,504,423	749,485	-	-

(b) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors and other creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Details of the terms and conditions of related party payables are set out in Note 29.

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
17. PROVISIONS (CURRENT)					
Dividends on ordinary shares		4,499,868	1,024,988	-	-
Employee benefits	24	249,814	183,723	24,110	10,303
		4,749,682	1,208,711	24,110	10,303

18. PAYABLES (NON-CURRENT)					
Lease incentive liability	23	61,072	77,563	61,072	77,563

19. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid		22,012,557	13,075,623	22,012,557	13,075,623
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(b) Movements in shares on issue

	2005		2004	
	Number of shares	\$	Number of shares	\$
Beginning of the financial year	17,882,593	13,075,623	15,088,760	10,874,882
Issued during the year				
- exercise of options	3,817,332	8,936,934	2,793,833	2,200,741
End of the financial year	21,699,925	22,012,557	17,882,593	13,075,623

(c) Share Options

Options over ordinary shares:

During the financial year, 450,000 options were issued over ordinary shares (2004: 325,000). The options had a weighted average exercise price of \$10.44 (2004: \$6.55). Details of options granted to officers and executives are provided in Note 24.

At the end of the year there were 1,871,667 (2004: 5,472,333) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares

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.

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
20. RETAINED PROFITS / (ACCUMULATED LOSSES)					
Retained profits / (Accumulated losses)					
Balance at the beginning of year		4,664,475	(1,031,685)	1,820,765	(1,288,847)
Net profit attributable to members of Treasury Group Limited		12,520,600	6,270,888	13,000,257	3,684,340
Total available for appropriation		17,185,075	5,239,203	14,821,022	2,395,493
Dividends provided for or paid		(7,953,888)	(574,728)	(7,953,887)	(574,728)
Balance at end of year		9,231,187	4,664,475	6,867,135	1,820,765

21. OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

Opening balance	4,642,418	2,970,717
Add: share of operating profit	11,220,797	6,996,636
Less: dividends	(12,534,645)	(5,324,935)
Closing balance	3,328,570	4,642,418

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
22. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit after tax to the net cash flows from operations					
Net profit		23,741,397	13,267,524	13,000,257	3,684,340
<i>Non-Cash Items</i>					
Depreciation and amortisation of non-current assets		320,203	282,684	66,559	52,242
Net (profit)/loss on disposal of financial assets		-	41,814	-	161,737
Net (profit)/loss on disposal of plant and equipment		-	-	-	-
Share of associates' net losses		(1,748,034)	173,459	-	-
Dividend receivable from an associate		721,116	-	-	-
Distribution on investment		-	(13,296)	-	-
Write off of plant and equipment		5,197	3,775	1,284	2,017
Write off of loan to controlled entity		-	-	-	61,177
Write off of intangibles		-	37,500	-	37,500
Interest from related companies		(182,277)	-	(223,130)	-
Non-cash commission income		(62,500)	-	-	-
Changes in assets and liabilities					
(Increase)/decrease in trade and other receivables		(4,008,373)	(6,084,964)	(779,974)	(137,512)
(Increase)/decrease in dividends receivable		(721,116)	-	(4,196,236)	(625,012)
(Increase)/decrease in future income tax benefit		(113,209)	(142,900)	(316,446)	-
(Increase)/decrease in prepayments and other current assets		(263,460)	(454,731)	(45,716)	441
(Decrease)/increase in trade creditors		1,094,040	708,481	32,868	(20,189)
(Decrease)/increase in other creditors and accruals		1,340,124	1,539,574	201,674	195,687
(Decrease)/increase in tax provision		(157,108)	2,475,704	-	-
(Decrease)/increase in goods and services tax payable		308,509	569,846	4,421	(5,623)
(Decrease)/increase in employee benefits		66,091	54,527	13,807	(49,944)
Net cash flow from operating activities		20,340,600	12,458,997	7,759,368	3,356,861
(b) Reconciliation of cash					
Cash balance comprises:					
— cash assets		7,859,784	1,253,814	5,663,540	290,177
— commercial bills		14,394,421	12,341,571	7,894,923	4,842,452
Closing cash balance		22,254,205	13,595,385	13,558,463	5,132,629

(c) Financing facilities available

At reporting date, Treasury Group Limited did not have any financing facilities available.

(d) Non-cash movements

During last financial year ended 30 June 2004, Treasury Group Limited settled a payable against a receivable to the value of \$1,000,000 from a partly-owned controlled entity.

Notes continued

30 JUNE 2005

Notes

CONSOLIDATED

TREASURY GROUP LIMITED

2005

2004

2005

2004

\$

\$

\$

\$

23. EXPENDITURE COMMITMENTS

Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

23(a), (b)

— not later than one year

646,781

578,883

416,213

373,202

— later than one year and not later than five years

1,320,102

989,000

743,670

954,720

— later than five years

-

89,855

-

89,855

Aggregate lease expenditure contracted for at reporting date

1,966,883

1,657,738

1,159,883

1,417,777

Aggregate expenditure commitments comprise:

Amounts provided for:

- lease incentive liability - current

23(c)

16,491

16,491

16,491

16,491

- non-current

23(c)

61,072

77,563

61,072

77,563

77,563

94,054

77,563

94,054

Amounts not provided for:

- rental commitments

1,889,320

1,563,684

1,082,320

1,323,723

Total not provided for

1,889,320

1,563,684

1,082,320

1,323,723

Aggregate lease expenditure contracted for at reporting date

1,966,883

1,657,738

1,159,883

1,417,777

Note:

- (a) The consolidated entity leases property under non-cancellable operating leases. Leases have an average lease term of 4 years and generally provide the consolidated entity with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an increment contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.
- (b) Properties under non-cancellable operating leases have been sub-let to controlled entities and an associate. The total of future minimum lease payments expected to be received from controlled entities and associates at the reporting date are \$488,608 (2004: \$597,095) and \$378,408 (2004: \$449,955) respectively.
- (c) These commitments reflect the non-cash incentive received by the consolidated entity for entering into a non-cancellable operating lease for premises occupied by Treasury Group Limited, entered into in March 2004. The lease term is six years and the incentive liability is reduced on an imputed interest basis at the rate implicit in the lease.
- (d) The consolidated entity's share of the associates' lease commitment at the reporting date is \$62,543 (2004: \$17,201).

Notes continued

30 JUNE 2005	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		2005	2004	2005	2004
		\$	\$	\$	\$
24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Benefits					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries, bonus and on-costs*		2,237,346	1,891,748	418,958	224,935
Provisions (current)	17	249,814	183,723	24,110	10,303
		2,487,160	2,075,471	443,068	235,238

* included in payables (current) – Note 16

Officer and Executive Option Plan

An Officer and Executive Option Plan has been established where Treasury Group Limited may, at the discretion of the board of directors, grant options over the ordinary shares of Treasury Group Limited to directors, executives and certain members of staff of the consolidated entity. The options are granted in accordance with performance guidelines established by the board of directors of Treasury Group Limited, although the board of Treasury Group Limited retains the final discretion on the issue of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The options will not be quoted on the ASX. There are 49 employees eligible for this scheme.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

		2005		2004	
		Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	24(a)	3,688,999	\$2.94	6,150,332	\$2.33
- employee left during the financial year	24(a)	(233,333)	\$6.64	-	-
- granted	24(a)	450,000	\$10.44	325,000	\$6.55
- exercised	24(a)	(2,829,000)	\$1.93	(2,786,333)	\$0.79
Balance at end of year	24(a)	1,076,666	\$7.48	3,688,999	\$2.94
Exercisable at end of year	24(a)	176,666	\$1.82	1,354,002	\$1.91

Notes continued

30 June 2005

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

(a) Employee Option Plan

Grant Date	Exercise Date	Expiry Date	Exercise Price	1-Jul 2004	Movement in number of Options			30-Jun 2005	Number of Options Vested	Proceeds Received	Fair Value per option
					Issued	Lapsed/ Forfeited	Exercised				
01/07/2001	01/07/2003	01/07/2006	\$0.75	160,000	-	-	160,000	-	-	\$120,000	\$9.67
01/07/2001	01/07/2003	01/07/2006	\$0.65	500,000	-	-	500,000	-	-	\$325,000	\$9.67
01/07/2001	01/07/2004	01/07/2006	\$0.90	300,000	-	-	300,000	-	-	\$270,000	\$9.67
01/07/2001	01/07/2004	01/07/2006	\$0.65	500,000	-	-	500,000	-	-	\$325,000	\$9.67
01/07/2001	01/07/2002	01/07/2006	\$0.65	25,001	-	-	25,001	-	-	\$16,250	\$10.00
01/07/2001	01/07/2003	01/07/2006	\$0.65	102,334	-	-	100,667	1,667	1,667	\$65,434	\$10.64
01/07/2001	01/07/2004	01/07/2006	\$0.65	266,664	-	-	176,665	89,999	89,999	\$114,832	\$12.89
01/07/2001	20/05/2005	01/07/2006	\$0.65	50,000	-	-	-	50,000	50,000	-	-
01/07/2001	01/07/2005	01/07/2006	\$0.65	50,000	-	-	-	50,000	-	-	-
16/11/2001	16/11/2001	30/11/2006	\$1.00	250,000	-	-	250,000	-	-	\$250,000	\$9.72
29/11/2001	01/07/2004	29/11/2006	\$3.50	50,000	-	-	50,000	-	-	\$175,000	\$10.00
29/11/2001	01/01/2005	29/11/2006	\$4.00	50,000	-	-	50,000	-	-	\$200,000	\$14.45
29/07/2002	29/07/2003	29/07/2007	\$5.00	300,000	-	-	300,000	-	-	\$1,500,000	\$12.30
29/07/2002	29/07/2004	29/07/2007	\$6.00	300,000	-	-	300,000	-	-	\$1,800,000	\$12.30
29/07/2002	29/07/2005	29/07/2007	\$7.00	200,000	-	-	-	200,000	-	-	-
29/07/2002	29/07/2005	29/07/2007	\$8.00	200,000	-	-	-	200,000	-	-	-
01/11/2002	01/01/2004	01/11/2007	\$6.00	25,000	-	-	25,000	-	-	\$150,000	\$9.99
01/11/2002	01/01/2005	01/11/2007	\$6.00	25,000	-	-	25,000	-	-	\$150,000	\$13.00
27/03/2003	01/09/2004	27/03/2008	\$5.00	10,000	-	-	-	10,000	10,000	-	-
Carried down				3,363,999	-	-	2,762,333	601,666	151,666	\$5,461,516	

Notes continued

30 June 2005

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont'd)

(a) Employee Option Plan (cont'd)

Grant Date	Exercise Date	Expiry Date	Exercise Price	1-Jul 2004	Movement in number of Options			30-Jun 2005	Number of Options Vested	Proceeds Received	Fair Value per option
					Issued	Lapsed/ Forfeited	Exercised				
			Brought down	3,363,999	-	-	2,762,333	601,666	151,666	\$5,461,516	-
20/10/2003	01/11/2004	01/11/2008	\$6.00	66,667	-	-	66,667	-	-	\$400,002	\$12.10
20/10/2003	01/11/2005	01/11/2008	\$6.00	66,667	-	66,667	-	-	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$6.00	66,666	-	66,666	-	-	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$7.00	50,000	-	50,000	-	-	-	-	-
20/10/2003	01/11/2006	01/11/2008	\$8.00	50,000	-	50,000	-	-	-	-	-
01/03/2004	01/03/2004	01/03/2009	\$7.16	25,000	-	-	-	25,000	25,000	-	-
05/07/2004	05/07/2007	05/08/2007	\$10.00	-	250,000	-	-	250,000	-	-	-
25/08/2004	25/08/2007	25/08/2009	\$11.00	-	100,000	-	-	100,000	-	-	-
25/08/2004	25/08/2008	25/08/2009	\$11.00	-	50,000	-	-	50,000	-	-	-
25/08/2004	25/07/2009	25/08/2009	\$11.00	-	50,000	-	-	50,000	-	-	-
				3,688,999	450,000	233,333	2,829,000	1,076,666	176,666	\$5,861,518	

(b) Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the consolidated entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

Notes continued

30 JUNE 2005

25. SUBSEQUENT EVENTS

2005

On 1 July 2005, Treasury Group Limited exercised its call options and acquired a further 6% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$1,400,000.

On 12 July 2005, Treasury Group Limited set up Treasury Asian Asset Management Limited ('TAAM'), a new boutique fund management business, in Partnership with Mr Peter Sartori. TAAM will focus on Asian equities. Treasury Group Limited has a 47% stake in the company with the remainder held by TAAM staff.

On 29 August 2005, the directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is \$5,943,391, which represents a fully franked dividend of 27 cents per share. The dividend has not been provided for in the 30 June 2005 financial statements.

In accordance with an agreement with the Company, Mr Kipp resigned as CFO and Company Secretary effective from 1 October 2005.

2004

On 1 July 2004, Treasury Group Limited exercised its call options and acquired a further 10% of the issued capital of Orion Asset Management (Aust) Pty Ltd, for cash consideration of \$100,000.

On 18 August 2004, the directors of Treasury Group Limited declared a final dividend on ordinary shares in respect of the 2004 financial year. The total amount of the dividend is \$4,470,648, which represents a fully franked dividend of 25 cents per share. The dividend has not been provided for in the 30 June 2004 financial statements.

The financial effect of each of the above events has not been recognised.

	CONSOLIDATED	
	2005	2004
	\$	\$
26. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	23,741,397	13,267,524
Adjustments:		
Net profit attributable to outside equity interest	(11,220,797)	(6,996,636)
Earnings used in calculating basic and diluted earnings per share	12,520,600	6,270,888
	Number of shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	20,877,674	16,865,629
Effect of dilutive securities:		
Dilutive effect of potential ordinary shares -- share options	810,688	2,833,060
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	21,687,762	19,698,689

Notes continued

30 JUNE 2005

27. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

L.D.P. IaFrate	Chairman (non-executive)
R. Green	Executive Director
T. Poole	Director (non-executive), resigned 5 October 2004
P. Kennedy	Director (non-executive)
M. Fitzpatrick	Director (non-executive), appointed 5 October 2004

(ii) Specified executives

D. Cooper	Chief Executive Officer (appointed 17 July 2004)
R. Kipp	Chief Financial Officer and Company Secretary
G. Putt	Chief Operating Officer (resigned 1 November 2004)

(b) Remuneration of Specified Directors and Specified Executives

4 Remuneration Policy

The Remuneration Committee of Treasury Group Limited is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, statutory superannuation and options. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Officer and Employee Option Plan which currently provides incentives where specified criteria are met including criteria relating to company performance, achievement of individual key performance indicators and other performance.

In addition, all executives are entitled to annual bonuses payable upon the achievement of annual corporate profitability measures, the most important being return on shareholder's equity.

	<u>Primary</u>			<u>Post Employment</u>		<u>Equity</u>	<u>Other</u>	
	Salary & Fees \$	Cash Bonus \$	Non- Monetary Benefits \$	Superan- nuation \$	Retirement Benefits \$	Options \$	Bonuses \$	Total \$
Specified Directors								
L.D.P. IaFrate								
2005	110,298	170,000	-	9,927	-	-	-	290,225
2004	75,045	150,000	-	6,755	-	-	-	231,800
R. Green								
2005	243,366	-	-	10,800	-	-	-	254,166
2004	365,100	-	-	9,900	-	-	-	375,000
T. Poole								
2005	9,174	-	-	826	-	-	-	10,000
2004	27,523	-	-	2,477	-	-	-	30,000
P. Kennedy								
2005	48,667	-	-	-	-	-	-	48,667
2004	30,000	-	-	-	-	-	-	30,000
M. Fitzpatrick								
2005	31,346	-	-	2,821	-	-	-	34,167
2004	-	-	-	-	-	-	-	-
Total Remuneration: Specified Directors								
2005	442,851	170,000	-	24,374	-	-	-	637,225
2004	497,668	150,000	-	19,132	-	-	-	666,800

Notes continued

30 JUNE 2005

27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(b) Remuneration of Specified Directors and Specified Executives (cont'd)

		<u>Primary</u>		Non-Monetary Benefits	<u>Post Employment</u>		<u>Equity</u>	Total
		Salary & Fees	Cash Bonus		Superannuation	Retirement Benefits	Options Amortised Cost	
		\$	\$	\$	\$	\$	\$	\$
Specified Executives								
D. Cooper	2005	344,037	150,000	-	30,963	-	236,958	761,958
	2004	229,357	125,000	-	25,142	-	487,583	867,082
R. Kipp	2005	248,238	120,000	-	35,095	-	114,498	517,831
	2004	170,100	50,000	-	13,233	-	33,162	266,495
G. Putt (resigned 1 November 2004)								
	2005	75,335	-	-	6,780	-	57,649	139,764
	2004	152,317	-	-	13,708	-	253,404	419,429
Total Remuneration: Specified Executives								
	2005	667,610	270,000	-	72,838	-	409,105	1,419,553
	2004	551,774	175,000	-	52,083	-	774,149	1,553,006

(c) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified directors and specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices.

	Terms and Conditions for Each Grant						
	Vested Number	Granted Number	Grant Date	Value per option at grant date	Exercise price per option	First Exercise Date	Last Exercise Date
				\$	\$		
Specified Directors							
L. D.P. IaFrane	-	-	-	-	-	-	-
R. Green	-	-	-	-	-	-	-
T. Poole	-	-	-	-	-	-	-
P. Kennedy	-	-	-	-	-	-	-
M. Fitzpatrick	-	-	-	-	-	-	-
Specified Executives							
D. Cooper	300,000	-	-	-	-	-	-
R. Kipp	-	100,000	25/08/2004	\$2.45	\$11.00	25/08/2007	25/08/2009
R. Kipp	-	50,000	25/08/2004	\$2.45	\$11.00	25/08/2008	25/08/2009
R. Kipp	-	50,000	25/08/2004	\$2.45	\$11.00	25/07/2009	25/08/2009
Total	300,000	200,000*					

* The fair value of options granted is estimated on the day of grant using a Binomial option-pricing model with the following assumptions used: Historical volatility for the financial year of 26%, Risk Free rate of 5.5%, a dividend consistent with the current policy of the company and other variables as contained in the Notes to the financial report.

Notes continued

30 JUNE 2005

27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(d) Shares issued on exercise of remuneration options

	Shares issued Number	Paid \$ per share
Specified Directors		
R. Green	300,000	0.90
R. Green	160,000	0.75
Specified Executives		
D. Cooper	300,000	5.00
D. Cooper	300,000	6.00
R. Kipp	50,000	3.50
R. Kipp	50,000	4.00
G. Putt	66,667	6.00
Total	1,226,667	

(e) Option holdings of specified directors and specified executives

	Balance at beginning of period (1 July 2004)	Granted as Remuneration	Options Exercised	Options lapsed	Balance at end of period (30 June 2005)	Total vested and exercisable at 30 June 2005*
Specified Directors						
L.D.P. IaFrane	250,000	-	(250,000)	-	-	-
R. Green	460,000	-	(460,000)	-	-	-
T. Poole	-	-	-	-	-	-
P. Kennedy	-	-	-	-	-	-
M. Fitzpatrick	-	-	-	-	-	-
Specified Executives						
D. Cooper	1,000,000	-	(600,000)	-	400,000	-
R. Kipp	115,000	200,000	(100,000)	-	215,000	15,000
G. Putt	300,000	-	(66,667)	(233,333)	-	-
Total	2,125,000	200,000	(1,476,667)	(233,333)	615,000	15,000

*Options are exercisable once vested.

5 Shareholdings of Specified Directors and Specified Executives

Ordinary shares held in Treasury Group Ltd (number)

	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
Specified Directors					
L.D.P. IaFrane	1,724,000	-	250,000	(106,000)	1,868,000
R. Green	2,405,000	-	460,000	(200,000)	2,665,000
T. Poole	32,000	-	-	-	32,000
P. Kennedy	-	-	-	-	-
M. Fitzpatrick	-	-	-	2,651,500*	2,651,500
Specified Executives					
D. Cooper	-	-	600,000	(67,000)	533,000
R. Kipp	102,000	-	100,000	(100,000)	102,000
G. Putt	-	-	-	-	-
Total	4,263,000	-	1,410,000	2,178,500	7,851,500

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

* Disclosure of shares held in the Company following Mr Fitzpatrick was appointed as a director on 5 October 2004.

Notes continued

30 JUNE 2005

27. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

(g) Transactions with director-related entity

Details of the transactions with director-related entities are set out in note 29.

(h) Loans to directors

No loans have been advanced to directors at any stage during the financial year ended 30 June 2005.

	CONSOLIDATED		TREASURY GROUP LIMITED	
	2005	2004	2005	2004
	\$	\$	\$	\$
28. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young Australia for:				
— an audit or review of the financial report of the entity and any other entity in the consolidated entity	151,725	144,500	60,900	58,000
— other services in relation to the entity and any other entity in the consolidated entity	28,800	67,127	8,150	22,167
	180,525	211,627	69,050	80,167

29. RELATED PARTY DISCLOSURES

Transactions with wholly-owned controlled entities

Management fees

During the year, Treasury Group Limited provided administrative services to a wholly-owned controlled entity. Dealings were on commercial terms and conditions. Details of management fees and receivables at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

Loans

Loans advanced by Treasury Group Limited to wholly-owned controlled entities are with no fixed repayment dates. Interests on the loans are capitalised at commercial fixed rates.

During the year, no additional amount (2004: \$100,000) was advanced to a wholly-owned subsidiary, and no repayments were received (2004: \$Nil). Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 2 and Note 9 to the financial report respectively.

Transactions with partly-owned controlled entities

Management fees

During the year, Treasury Group Limited provided administrative services to partly-owned controlled entities. Dealings were on commercial terms and conditions. Details of management fees and receivables at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

Fund management fees

During the prior year, Treasury Group Limited paid \$5,450 fund management fees to a partly-owned controlled entity for managing its investments. The fee was included in the fund administration fees on the statement of financial performance.

Dividend

Any dividend received and receivable at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

Loans

Loans advanced by Treasury Group Limited to a partly owned are with no fixed repayment dates. Interests on the loan are capitalised at commercial rates.

During the year, \$400,000 (2004: Nil) was advanced to a partly owned subsidiary and no repayments were received. Details of interest income and the entire amount remained outstanding at year-end are disclosed in Note 2 and Note 9 to the financial report respectively.

Sub-let of operating lease

Property under operating lease has been sub-let to partly-owned controlled entities. Details of the sub-let transaction are disclosed in Note 23 to the financial report.

Notes continued

30 JUNE 2005

29. RELATED PARTY DISCLOSURES (cont'd)

Transactions with associates

Management fees

During the year, a controlled entity provided administrative services to associates. Dealings were on commercial terms and conditions. Details of management fees and receivables at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

Loans

During the year, Treasury Group Limited did not provide additional loans to associates (2004: \$990,000). The existing loans have been in accordance with a working capital loan facility and are on a long-term basis. A repayment of \$350,000 has been received from an associate during the year.

In accordance with the loan agreements, interest on the loans was capitalised at commercial fixed rates. Details of interest income are disclosed in Note 2 to the financial report.

Fund management and performance fees

During the year, a controlled entity entered into investment management agreements with associates to acquire fund management services. Dealings were on commercial terms and conditions. Fund management and performance fees paid amounting to \$1,421,785 (2004: \$778,357) is included in the Fund Management and Administration Fees on the Statement of Financial Performance. Payables at the reporting date are disclosed in Note 16 to the financial report.

Dividend and dividend receivable

Any dividend received and receivable at reporting date are disclosed in Note 2 and Note 6 to the financial report respectively.

Sub-let of operating lease

Property under operating lease has been sub-let to an associate. Details of the sub-let transaction are disclosed in Note 23 to the financial report.

Transactions with director-related entity

Management fees

During the year, a controlled entity of Treasury Group Limited provided management and administrative services to a listed investment company, a company of which Mr R. Green and Mr R. Kipp are directors. Dealings were on commercial terms and conditions. Details of management fee amounting to \$404,865 (2004: \$66,550) are included in Note 2 to the financial report.

Fund management and performance fees

During the year, the controlled entity also provided fund management services to the listed investment company. Dealings were on commercial terms and conditions. For the financial year, the controlled entity received a fund management fee and a performance fee of \$2,027,788 (2004: \$1,045,705) and \$2,144,285 (2004: \$1,686,328) respectively. Receivable at the reporting date is disclosed in Note 6 to the financial report.

Services

During the prior year, a controlled entity provided administrative services to a director-related entity, a company of which Mr L.D.P. Iafrate and Mr P.R. Kennedy are directors. Dealings were on commercial terms and conditions. Details of service fees amounting to \$62,500 (2004: \$9,200) are included in Note 2 to the financial report.

30. SEGMENT INFORMATION

The consolidated entity operates in one business segment, being fund management services, solely in Australia.

Notes continued

30 JUNE 2005

31. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposures to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Floating Interest Rate	Fixed Interest maturing 1 yr or less	Fixed Interest maturing 1 to 5 years	Fixed Interest maturing in more than 5 years or without fixed repayment terms	Non-Interest bearing	Total carrying amount as per Statement of Financial Position	Weighted Average Interest Rate
	\$	\$	\$	\$	\$	\$	
2005							
Financial assets							
Cash	7,859,784	14,394,421	-	-	-	22,254,205	5.74%
Receivables	-	2,043,730	-	216,366	14,318,676	16,578,772	8.05%
Investments	-	-	-	-	5,782,577	5,782,577	N/A
Other	-	-	315,685	-	-	315,685	5.66%
TOTAL	7,859,784	16,438,151	315,685	216,366	20,101,253	44,931,239	
Financial liabilities							
Accounts payable	-	-	-	-	7,070,522	7,070,522	N/A
TOTAL	-	-	-	-	7,070,522	7,070,522	

N/A – not applicable for non-interest bearing financial instruments.

Notes continued

30 JUNE 2005

31. FINANCIAL INSTRUMENTS (cont'd)

(a) Interest rate risk (cont'd)

	Floating Interest Rate	Fixed Interest maturing 1 yr or less	Fixed Interest maturing 1 to 5 years	Fixed Interest maturing in more than 5 years or without fixed repayment terms	Non-Interest bearing	Total carrying amount as per Statement of Financial Position	Weighted Average Interest Rate
	\$	\$	\$	\$	\$	\$	
2004							
Financial assets							
Cash	1,253,814	12,341,571	-	-	-	13,595,385	5.25%
Receivables	-	-	-	2,427,819	9,589,187	12,017,006	8.04%
Investments	-	-	-	-	2,600,600	2,600,600	N/A
Other	-	-	226,335	-	-	226,335	5.08%
TOTAL	1,253,814	12,341,571	226,335	2,427,819	12,189,787	28,439,326	
Financial liabilities							
Accounts payable	-	-	-	-	4,344,340	4,344,340	N/A
TOTAL	-	-	-	-	4,344,340	4,344,340	

N/A – not applicable for non-interest bearing financial instruments.

Notes continued

30 JUNE 2005

31. FINANCIAL INSTRUMENTS (cont'd)

(b) Net fair values

All financial assets and liabilities have been recognised at the reporting date at their historical value, which is also at their fair value, except:

- shares in other corporations (non-current) with a carrying value of \$100,600 are carried at lower than their net fair value of \$131,061. The directors have decided not to revalue this investment to its fair value as at the reporting date since it is their intention to hold the investment for the long term, unless the directors otherwise determine.
- shares in a listed company with a carrying value of \$62,500 are carried at the lower than their net fair value of \$82,500. The directors have decided not to revalue this investment to its fair value as at the reporting date since it is their intention to hold the investment for the long term, unless the directors otherwise determine.
- units in unlisted managed investment trust with a carrying value of \$5,619,477 are carried at the lower than their net fair value of \$6,005,075.

(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

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

Notes continued

30 JUNE 2005

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Treasury Group Limited (the "Group") is in the process of transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004 the group allocated internal resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result the Group established a project team to assess each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, the Group's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Group prepares its first fully AIFRS 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 estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being under taken by the AIFRS project teams; (b) potential amendments to AIFRSs and interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

The Group has adopted the exemption of AASB1 for business combinations.

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

	Notes	CONSOLIDATED		TREASURY GROUP LIMITED	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		\$	\$	\$	\$
Total equity under AGAAP		34,572,414	22,382,516	28,888,642	14,896,388
Adjustments to retained earnings (net of tax)					
Recognition of share based payment expense	(i)	(192,284)	-	(114,498)	-
Write-back of goodwill amortisation	(ii)	96,418	-	-	-
Decrease in carrying value of associates	(ii)	28,941	(70,672)	-	-
Write-back of formation cost	(iii)	-	(18,413)	-	-
Write-back of formation cost amortisation	(iii)	969	-	-	-
Total Equity under AIFRS		34,506,458	22,293,431	28,774,144	14,896,388
Adjustments to other reserves (net of tax)					
Recognition of share-based payment expense	(i)	192,284	-	114,498	-

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

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

Notes continued

30 JUNE 2005

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (cont'd)

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

- (i) Under AASB 2 *Share Based Payments*, the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding entry to equity. Share-based payment costs are not recognised under AGAAP.
- (ii) Under AASB 3 *Business Combinations* goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition. An impairment test has been conducted. No impairment has been identified.
- (iii) Under AASB 138 *Intangible Assets*, costs incurred in the start up phase of a company would be expensed. The Group's current policy allows for the capitalisation of such costs where future benefits are expected.
- (iv) The Group's associated companies will report slightly higher earnings under AIFRS as they will no longer be required to amortise their goodwill or set-up costs. The Group will recognise its share of the increased earnings in line with AASB 128 *Investments in Associates*.
- (v) Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measurement at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost on the statement of Financial Position. Management has decided to apply the exemption provided in AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These standards will be applied from 1 July 2005. The Financial Instruments project team is in the process of determining the impact of adopting the standards would have on the financial statements of the Group.
- (vi) TRG currently holds call options to purchase additional equity in Orion Asset Management Limited. In addition staff and management of both GVI and TAAM hold options to increase their shareholding of GVI and TAAM respectively. Under AIFRS these options may be considered financial instruments. TRG are currently undertaking a review to determine whether the recognition of any financial instruments under the adoption of AIFRS is required and as applicable calculating their fair value.

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

Year ended 30 June 2005	Notes	Consolidated \$	Treasury Group Limited \$
Net Profit under AGAAP		12,520,600	13,009,208
Share-based payment expense	(i)	(192,284)	(114,498)
Amortisation of goodwill	(ii)	96,418	-
Amortisation of formation costs	(iii)	969	-
Decrease in losses from Associates	(iii)	19,261	-
Net profit under AIFRS		12,444,964	12,894,710

- (i) Under AASB 2 *Share Based Payments*, the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement. Share-based payment costs are not recognised under AGAAP.
- (ii) Under AASB 3 *Business Combinations* goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired. An impairment test has been conducted. No impairment has been identified.
- (iii) Under AASB 138 *Intangible Assets*, costs incurred in the start up phase of a company would be expensed. As a result there will be no amortisation charge or capitalised formation cost in the financial year ended 30 June 2005.

(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.

Directors' Declaration

In accordance with a resolution of the directors of Treasury Group Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with 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 and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 2001 for the year ended 30 June 2005.

On behalf of the Board



L.D.P. laFrate
Chairman

Melbourne, 29 August 2005

Independent audit report to members of Treasury 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 Treasury Group Limited (the company) and 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 preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion on them 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 present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

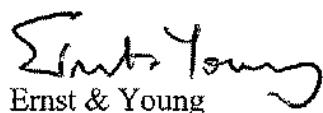
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the directors' report.

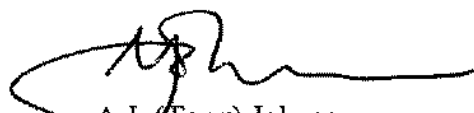
Audit opinion

In our opinion, the financial report of Treasury Group Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Treasury Group Limited and the consolidated entity 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.



Ernst & Young



A.J. (Tony) Johnson
Partner
Melbourne
Date: 29 August 2005

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

(a) Distribution of equity securities (as at 29 July 2005).

The number of shareholders, by size of holding, in each class of share are:

			Ordinary shares	
			Number of holders	Number of shares
1	—	1,000	789	536,618
1,001	—	5,000	946	2,176,685
5,001	—	10,000	96	754,663
10,001	—	100,000	93	2,666,721
100,001	—	and over	26	15,505,238
			1,950	21,639,925
The number of shareholders holding less than a marketable parcel of shares are:			6	29

(b) Twenty largest shareholders (as at 23 August 2005)

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	AKAT investments Pty Ltd	3,467,000	15.9%
2	Mini Investment Pty Ltd	2,665,000	12.2%
3	Squitchy Lane Holdings Pty Ltd	2,401,500	11.0%
4	Top Pocket Pty Ltd	1,868,000	8.6%
5	ANZ Nominees Limited	844,000	3.9%
6	HSBC International Trustee (Singapore) Limited	608,900	2.8%
7	Mr David Cooper	533,000	2.5%
8	Leyland Limited	470,450	2.2%
9	Banson Nominees Pty Ltd	420,313	1.9%
10	Greenwich Stud Pty Ltd	384,305	1.8%
11	Mr Peter Bancroft <P Bancroft Super Fund A/C>	373,090	1.7%
12	HFM Investments Pty Ltd	250,000	1.2%
13	RBC Global Services Australia Nominees Pty Limited	219,700	1.0%
14	Ifan Pty Limited < Mirdcom Super Fund A/C>	182,500	0.8%
15	Harkosi Securities Pty Ltd (Super Fund A/C)	177,000	0.8%
16	Citicorp Nominees Pty Ltd	174,566	0.8%
17	Mr Hugh Lauder Wallace	150,000	0.7%
18	Mr Gregory James Perry	145,000	0.7%
19	Perpetual Trustees Consolidated Ltd	136,455	0.6%
20	Australian Executor Trustees	127,343	0.6%
		15,598,122	71.70%

ASX Additional Information

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Commonwealth Bank of Australia	20,644,773
452 Capital Pty Limited	13,278,974

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Share restricted by voluntary escrow.

As at the date of this report 100,000 ordinary shares were held in escrow. The voluntary escrow period ends on 15 January 2006.